



CATAPULT
Future Cities

Civic Crowdfunding

A guidebook for local authorities



Forewords

Future Cities Catapult works with cities in the UK and around the world to help deliver innovation at the city scale. We know that to achieve such results, cities must share knowledge, build partnerships and ultimately create an ecosystem where government, businesses and citizens can creatively collaborate.

Crowdfunding is a great solution to a very real problem. Citizens are often keen to shape their local surroundings, but the process can feel incredibly daunting, not least because it can be difficult to obtain funding, be it private or public, and to garner wider support.

Future Cities Catapult has been exploring with cities and partners the potential benefits of civic crowdfunding, which cities could use as a tool to adopt and foster innovation and change. We are delighted to have collaborated with various stakeholders on this and hope this guidebook provides further insight and benefits for embracing civic crowdfunding in your city.

Peter Madden OBE
Chief Executive, Future Cities Catapult

Civic crowdfunding is emerging as a powerful tool in the hands of communities. With the involvement of the council, it has the potential to revolutionise local democracy.

This much-needed report comes at a crucial time—not just because of the ongoing search for ways to ease pressure on council budgets but because the yearning to ‘take back control’ requires constructive, inclusive answers.

There are now 45 councils across the UK using civic crowdfunding and yet very little work has been done to understand what it can really offer to our local communities as we try to make sense of an increasingly complex and austere world. To consider crowdfunding as simply another fund-raising tool is to ignore its huge potential for citizen participation and practical democracy.

What if citizens could be given real power to shape the places where they live in an immediate and practical way?

New technology offers us the opportunity to rewrite the rules of civic place-making by breaking open the world of planning, local government and community grant-making and replacing it with something much more responsive to the needs and aspirations of local people.

Active participation by local government in this process has the potential to put citizens in the driving seat of local change. It could reinvigorate and revitalise local democracy by offering the kind of immediate, social and viral experience, which is so much a part of the 21st-century citizen’s life.

I am passionate about the power of technology to rewrite the rules of civic engagement but equally passionate about the need to link these new tools to our democratic process.

Our democracy is struggling to keep pace with the changes in our society but the immediate and relevant relationship that local government has with its citizens puts it in a unique position to pioneer new methods of participation.

As is clearly demonstrated in this report, the growth of crowdfunding in the UK is now well established. It has democratised access to business finance and provided a springboard for entrepreneurs and creative people. What remains to be seen is how effectively local government will embrace it as a tool to reshape and re-energise democratic engagement itself. I hope that this report helps to shed some light on the challenges and opportunities of this new world.

Dr Catherine Howe
Director, Capita plc

Manchester City Council is interested in the power of crowdfunding as a way to support our residents, local community groups and strategic partners to make new things happen.

Crowdfunding is a surprisingly old model, similar to the public subscription approach to fund-raising that led to support for many civic projects in the past, from monuments to public parks. In a digital age, however, it provides a new and more democratically available route for people with great ideas to realise their ambitions—whether they be ideas for improving their street, their community space, create a valuable community enterprise or delivering something extraordinarily ambitious. We are also struck by the benefits of crowdfunding going beyond the cash funding being raised. We hear about how effective crowdfunding is in also building communities, creating user groups and galvanising local support behind an idea.

We know we have many creative and courageous citizens in Manchester and our work with Spacehive is about putting them in the driving seat to realise their ambitions for the city.

We look forward to our continued learning journey with this initiative and to see the results of the efforts of the people coming forward to fund-raise and seek our support.

Councillor Luthfur Rahman,
Executive Member for Culture & Leisure
Manchester City Council

In my conversations with city leaders and corporate executives around the globe, I continually see the need for a new kind of collaboration. Cities have the opportunity to be models of engagement and inclusion; working collaboratively with the private sector and all of the community stakeholders; cities can leverage the best of technology, expertise and financial resources that can shape a city's future success. Indeed, participatory government is at the very heart of a 'smart city'.

Civic Crowdfunding: A Guidebook for Local Authorities provides a path to innovation and to the sources of funds that can bring true transformation to city operations, security and economic vitality. It is a path to strengthening a city's character—its sense of place.

I believe there are three criteria that set the foundation for a city leader's effectiveness: First, they must have a vision for the future—they must commit to a strategy and an implementation plan for 2030 or beyond. Second, they must be receptive to innovation—to using technology as an enabler for a better quality of life. Third, they must have funding or know where to find it.

The Civic Crowdfunding Guidebook allows city leaders to make faster, better decisions towards resilient, prosperous communities. My unvarnished advice is to read this Guidebook, create an aligned plan of action, form new coalitions, get involved, learn from these amazing examples and get to work!

Sandra M Baer
President, Personal Cities



Future Cities Catapult (FCC) and civic crowdfunding

The Future Cities Catapult's mission is to advance urban innovation and make cities better, through bringing together stakeholders such as businesses and city leaders to solve the complex problems facing 21st-century cities.

One challenge facing city governments today is how to meet the increasing expectations of citizens with regard to participation in civic affairs and public decision-making. Many public authorities are still operating using the same approaches and structures that have been in place for decades, and citizens are no longer satisfied with the rigid and complex engagement mechanisms available to them. Furthermore, reductions in public spending have created a funding gap within the local public sector, community and voluntary organisations, driving these groups to innovate to provide the same services for more people with limited funds.

Civic crowdfunding is an innovative and rapidly growing domain that combines crowdsourcing and microfinancing approaches to identify and fund local-area-improvement projects. It has the potential to address both of the challenges described above.

The Future Cities Catapult's journey with civic crowdfunding began in 2014 when the Mayor of London asked for support in exploring options for an Open Ideas Platform that would enable greater citizen participation in civic affairs. Having worked extensively with UK and international cities experiencing similar challenges, as well as large numbers of businesses with innovative solutions, the Catapult was well placed to assist.

This collaboration led the FCC to conduct some primary research into the use of crowdsourcing and crowdfunding methods to gather project ideas, facilitate civic engagement and increase investment in local projects. The resulting report outlined existing tools and models that have been used to enable citizen participation and detailed several innovative and pragmatic approaches for the Mayor of London to take forward.

Insights from this report led to the Mayor's Regeneration Team developing and delivering a pioneering new tool to support civic participation in the local-area-development domain. Using the Spacehive civic crowdfunding platform, the Mayor's Crowdfunding Programme was launched. The programme encouraged members of the public (or crowd) to propose local-area-improvement project ideas and enabled the Mayor of London and other members of the crowd to make financial donations towards these projects. The launch of this initiative represented the first time a mayor of a major European city has funded local civic improvement projects in this way and signalled a changing tide for regeneration and planning engagement. To date, the Mayor's Crowdfunding Programme has supported 57 campaigns across London.

Following the success of this initiative, Future Cities Catapult is now working with KPMG and Spacehive in a collaboration called 'Civic Accelerator' to spread this innovative approach to civic participation and local-area-project funding across the UK. The partners are working with Manchester City Council and a group of businesses in Hull (the Hull Pioneers) to develop a repeatable approach to harnessing the power of civic crowdfunding. The 'Our Manchester' and 'Make Hull' crowdfunding initiatives were launched in mid-2016 and both websites have received high levels of interest with exciting projects being submitted, funded and delivered.

This report is an output of this second collaboration and draws on the partners' experiences with civic crowdfunding over the last three years. It aims to act as a guidebook for local authorities that are interested in learning about civic crowdfunding and understanding how they can become involved.

Executive summary

The crowdfunding phenomenon, made famous by companies such as Kickstarter and Indigogo, is revolutionising the world of alternative finance by harnessing the power of microdonations to finance projects, products and services. The subdomain of civic crowdfunding represents not only an opportunity to secure funds and complete projects but also a way to forge partnerships between government bodies, businesses and citizens, and to foster the development of local communities. With implications that go far beyond raising funds, civic crowdfunding has the potential to revolutionise community participation in local public affairs.

This guidebook aims to provide answers to three key questions:

What is civic crowdfunding?

Why is it being adopted by local authorities?

How can local authorities get involved?

What is civic crowdfunding?

The term ‘civic crowdfunding’ refers to a subcategory of crowdfunding through which ‘citizens, often in collaboration with government, propose, fund and deliver projects that aim to provide a community service or deliver public value through a local-area-improvement project.’ Typically, project ideas are sourced from the crowd and placed on Internet-based platforms, where potential funders are able to search and make financial contributions to projects that resonate with their areas of interest or values. Together, these actions represent a new model of community involvement, allowing citizens to take an active role in the physical improvement of neighbourhoods.

This guidebook outlines the various types of civic crowdfunding financing models, the types of project that are typically funded and how civic crowdfunding fits among traditional funding sources.

Why is it being adopted by local authorities?

Civic crowdfunding is still in the early stages of development and the market is growing rapidly. The approach is increasingly being adopted by local authorities due to the numerous economic and social benefits it can deliver. These benefits include

- The ability to leverage additional funds towards local-area-improvement projects.
- A new approach to citizen engagement and involvement.
- The ability to inform smarter investment decisions.
- The ability to increase innovation and experimentation while reducing risk and cost of failure.
- Improved community cohesion and resilience

While it is often the financial benefits that initially entice authorities to adopt civic crowdfunding, as involvement progresses, authorities invariably find that the social benefits outweigh any financial gains. In particular, the new approach to citizen engagement and participation enabled by civic crowdfunding becomes very valuable to authorities. Citizens have been expressing a desire to have a more participatory role in government decision-making, particularly in the planning and budget allocation processes. Civic crowdfunding enables a more proactive approach to citizen engagement and participation, providing an opportunity for citizens to propose, contribute to and participate in projects that reflect their own values and areas of interest. Civic crowdfunding essentially facilitates a marketplace-led model, where citizen demands and institutional supply can meet more effectively.

This guidebook provides a detailed analysis of the various quantifiable and unquantifiable, economic and social benefits delivered by civic crowdfunding initiatives.

How can local authorities get involved?

Local authorities tend to follow a similar path to adopting civic crowdfunding approaches.

- **Passive Observer** All authorities start their journey as ‘passive observers’. At this stage, authorities are largely unaware of the civic crowdfunding domain, and how it can apply to them. Currently, approximately 90% of authorities across the UK are at this stage.
- **Active Supporter** Once authorities have reached a heightened point of awareness, they typically progress to an ‘active supporter’ phase, in which they receive briefings from service providers and begin to engage with the community on the topic. By the end of this phase, authorities are beginning to build a low-key digital presence, which announces that the authority is active in this area.
- **Catalyser of Activity** Once a digital presence has been established and the authority is growing in confidence, it enters the third phase of progress, a ‘catalyser of activity’. Authorities quickly find that creating an online presence is not enough to encourage individuals and organisations to engage, they must work to catalyse activity. These activities can range from offering matching funding to project creators, providing training, capacity building and support services and conducting marketing and PR activities. At the end of this stage, an authority will have created an active and engaged ecosystem surrounding their civic crowdfunding initiative.
- **Confident Leader** The final stage reached is the ‘confident leader’. At this stage, an authority’s crowdfunding ecosystem is functioning well and is beginning to deliver expected benefits. To upscale the initiative further, officers within authorities often seek to get senior level buy-in and endorsement, and conduct evaluation exercises to quantify the value being delivered. Authorities at this stage are also able to mentor other authorities in how to set up an initiative.

This guidebook provides a generalised account of the path local authorities typically traverse when adopting civic crowdfunding approaches, including the actions and activities that an authority is required to take at each phase. The guidebook then illustrates this journey with several real-life case studies from local authorities across the UK.

While civic crowdfunding may have begun as a method of alternative finance, its true implications go far beyond fund-raising. From a citizen perspective, it provides a far more robust and satisfactory method for involvement in civic affairs. From an authority standpoint, it is able to foster more engaged and resilient communities and the projects it supports and funds will be more alert to public demand. While civic crowdfunding initiatives are currently often siloed from the main activities and responsibilities of the authority while learning takes place and confidence grows, there is an expectation that in the future crowdfunding and crowdsourcing approaches could be integrated and used more widely across the authority. The diversity of projects delivered through civic crowdfunding suggests that the approach has the potential to develop in a myriad of ways to accommodate the various needs of both citizens and their local authorities, eventually becoming the de facto method to assign council resources and budget to local-area-improvement projects.

It is hoped that by equipping local authorities with knowledge around this subject area as well as a template for involvement, adoption of civic crowdfunding approaches will increase, leading to stronger communities, more attractive neighbourhoods and a more democratic approach to community engagement and participation.



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1. Background



1.1 What is civic crowdfunding?

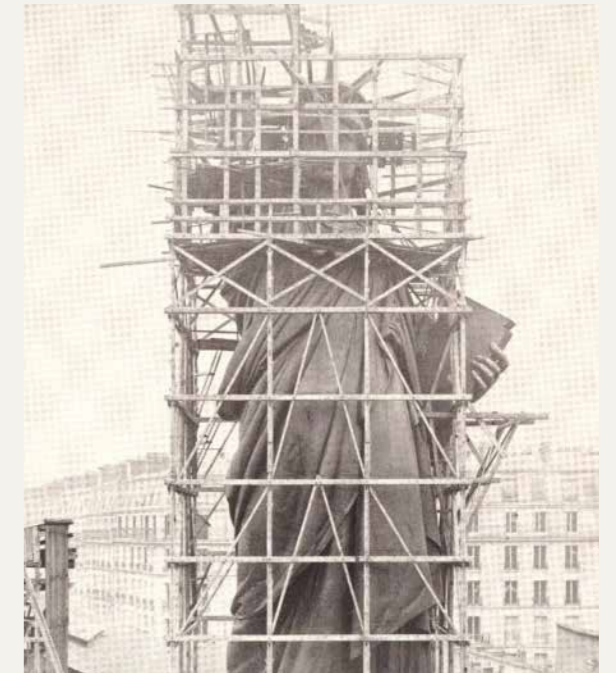
Crowdfunding is defined as a ‘method of raising finance by asking a large number of people each for a small amount of money.’⁽¹⁾ The approach has traditionally been used to fund a wide range of for-profit entrepreneurial ventures such as artistic and creative projects. In recent years, it has grown in prominence across other sectors, impacting how everything from personal loans to start-up investment is financed. The Cambridge Centre for Alternative Finance reports that in 2015, the UK online alternative finance market facilitated loans, investments and donations totalling £3.2bn.⁽²⁾

Crowdfunding is usually facilitated through online websites or platforms that host ideas for projects or ventures and handle the financial transactions. Historically, these platforms have primarily supported the projects of private and non-profit organisations. However, these platforms are increasingly being used by the public sector to finance community-focused projects. This has come to be known as civic crowdfunding.

Civic crowdfunding is the application of crowdfunding approaches to financing projects that aim to produce shared goods and services for communities. It is built on four main concepts:

- **Crowdsourcing:** the active and collective effort of individuals to reach a set goal or realise a project objective.
- **Crowdfunding:** utilising microfinancing methods to raise the required capital.
- **Internet:** the platform that allows fund-raisers (project initiators) to publicise project ideas and collect financial contributions from the ‘crowd’.
- **Civic-focus:** harnessing the above to finance innovative and creative projects for the community.

Together, these concepts represent a new model of community development—allowing citizens to take an active role in the physical improvement of neighbourhoods and the building of long-term community resilience.⁽³⁾



Early example of civic crowdfunding

Civic crowdfunding is not a new concept. One of the earliest examples of civic crowdfunding can be found in the construction of the Statue of Liberty's pedestal. In 1884, the Statue of Liberty was due to arrive in the United States; however, The American Committee had been unable to raise enough money to finance the site and the pedestal on which the statue would sit. This was expected to cost over \$300,000, and The American Committee had only been able to generate \$150,000.

Realising the project's importance, newspaper owner Joseph Pulitzer appealed to the American people for help. He ran a 6-month crowdfunding campaign that resulted in over 120,000 individual microdonations, culminating in over \$100,000 being raised. This was sufficient to build the pedestal and place the Statue of Liberty upon it, and also raised awareness of the statue across America.

1.2 What are the key characteristics of civic crowdfunding projects, campaigns and movements?

While the types of projects funded through civic crowdfunding initiatives vary considerably, there are several characteristics that typically underpin any crowdfunding campaign. Crowdfunding campaigns tend to

Be project specific

Crowdfunding involves raising funds for a specific project, rather than for broader organisational objectives. Fund-raisers must clearly define how much funding is required and how it will be spent. This is in contrast to traditional funding for good causes where organisations raise funds and then decide how they will spend the money. ⁽⁴⁾

Involve a diverse range of funders

Crowdfunding campaigns typically involve many small financial contributions from a large number of funders.

Have targets

Most platforms require fund-raisers to set visible funding targets based on how much money they need to deliver their project. In many cases, if targets are not achieved within the set funding window, the project is deemed to have failed and is taken off the platform. ⁽⁴⁾

Rely on pledges rather than outright donations

Most crowdfunding platforms utilise a pledge model for raising funds. Investors make a pledge to invest, however, this transaction does not actually take place until the project is ready to be delivered. This could be when the campaign has reached its target, or when the fund-raising window has closed. Essentially, this approach allows a project initiator to fail before he has started, minimising the risk of large financial losses for both donors and fund-raisers. ⁽⁵⁾

Have a high sense of urgency

Most crowdfunding platforms set limitations on the duration of campaigns. Typical durations are between 30 and 90 days. This creates a sense of urgency allowing funds to be collected quickly. The crowdfunding method allows funds to be collected more cheaply than through lengthy grant application processes or more traditional fund-raising methods. ⁽⁵⁾

It is becoming increasingly common for disparate crowdfunding campaigns that are taking place within a certain geographical area, or around a specific theme, to be grouped into 'movements' when presented on a crowdfunding platform; the Spacehive platform has pioneered this approach. Movements are typically created by local authorities, community organisations or foundations to build powerful, engaged and enduring communities around several projects. Movements have been found to make it easier to fund projects and to maximise the social impact of a civic crowdfunding initiative.

Creating an ongoing movement, instead of a series of individual campaigns, also has several benefits for the crowd. For project initiators, there is a ready-made community of followers that are more likely to contribute and participate than the 'general crowd'. From a funder's point of view, consolidated movements make it easier to find relevant projects, whether they be in the local area, or well aligned with areas of interest. ⁽⁶⁾

Example of a movement



Our Manchester

We are looking for great, exciting ideas to make Manchester a better place in which to live, work and play. Manchester City Council wants your ideas to create and improve spaces for everyone to enjoy. Have you got a great project to shape our city? Then upload your idea today!

1.3 Where does civic crowdfunding fit amongst traditional institutional funding models?

While civic crowdfunding represents a promising addition to traditional sources of institutional funding, it is best suited to financing certain types of projects. First, crowdfunding is well placed to fund projects with a social purpose. Contributing to social and community projects tends to give donors or funders the feeling that they are making a difference. As civic crowdfunding projects do not often provide donors or funders with financial rewards, that 'feeling of making a difference' is an important motivating factor.

Second, rewards and donation-based crowdfunding models are best suited to funding smaller-scale projects. This is because most civic projects are very local, which limits the amount of support they are likely to be able to generate. ⁽⁷⁾ People generally invest in projects that will impact themselves and their community.

Third, crowdfunding tends to be more widely used for funding projects with a short-term duration, or those whose impacts can be realised quickly. With the crowdfunding approach, there is no mechanism for facilitating discussions around longer-term policy issues and projects. Citizens typically propose and fund projects that will have short-term impacts, which limits the success rate of funding more incremental and programmatic projects. There are, of course, exceptions to each of these points; however, Nesta has concluded that civic crowdfunding is best applied to projects in the following areas

Events and one-off activities

Make good candidates for crowdfunding, due to their temporary nature and short durations. Perhaps the best-known crowdfunded activity in the UK is the 'Park and Slide' campaign. Launched by artist Luke Jerram in 2015, 'Park and Slide' proposed to build a 90 m water slide down a high street in Bristol. The campaign was successfully launched and a free-to-use waterslide was installed on Park Street for a day. ⁽⁴⁾

Gardens, playgrounds and green spaces

Are uncontroversial, inexpensive and appeal to many audiences, therefore often make good candidates for crowdfunding. In Croydon, a local resident created a pop-up saffron farm on a disused plot of land. Volunteers prepared the lot, planted the flowers and harvested the saffron. At the end of the initiative, crocus plants were distributed to local residents and schools.

Arts and cultural initiatives

Are also widely funded through civic crowdfunding due to their ability to resonate with the community's areas of interest, their strong education potential and uncontroversial nature. Typical projects funded include art installations, galleries and cultural spaces. For example, the York Arts Barge project raised over £23,000 from 250 backers to turn a barge into a unique arts and performance venue.

Buildings, restorations and infrastructure

The largest crowdfunding projects in the UK typically aim to rejuvenate, restore or repurpose existing buildings and infrastructure. For example, a disused flyover in Liverpool was due to be demolished; a process that would cost £3–4m. A community group called 'Friends of the Flyover' in Liverpool decided that this money could be better spent; it therefore created a crowdfunding campaign to fund a feasibility study looking at turning the flyover into an urban park. The flyover has not been demolished and community events now take place on it on a regular basis. Community shares-based models are also frequently used to finance renewable energy initiatives. In 2015, the Cumbria-based High Winds Community Benefit Society raised £3.6m from a share offer for a community-owned wind farm.

Equipment and tools

For community organisations are also frequently funded through crowdfunding. For example, the community-run Kensington Borough Football team has recently launched a campaign to enable the team to compete in a semi-professional league. The campaign will help them pay for pitch hire, league entry, travel and kit.



Park and Slide, Bristol by Luke Jerram

1.4 What crowdfunding models are appropriate for civic projects?

There are four main crowdfunding models that are appropriate for civic movements and projects. These are donation-based and reward-based crowdfunding, community shares and municipal bonds.

Donation-based crowdfunding

The Cambridge Centre for Alternative Finance describes donation-based crowdfunding as a 'non-investment model in which no legally binding financial obligation is incurred by fund recipients to donors; no financial or material returns are expected by the donor.'⁽²⁾ Donation-based crowdfunding essentially is where a large group of contributors donates small amounts towards a project or campaign without expecting anything in return.

Projects funded using this model are usually quite small with platforms reporting an average campaign size of £714, although this did vary considerably depending on the platform used. Typical projects include community gardens, events and murals.

In 2015, across the UK, donation-based crowdfunding grew fastest among all alternative finance models, albeit from a low starting point. It raised £12m in 2015, compared with just £2m in 2014, which translates to a 507% year-on-year growth rate. See figure 1.⁽²⁾

Donation-based crowdfunding is most active in London, the North West, West Midlands, South West and Yorkshire in terms of both fund-raiser and funder activity.⁽²⁾

If the market for donation-based crowdfunding continues to grow at these fast rates, it could have considerable implications for community organisations and could act as a valuable addition to a local government's funding armoury in years to come.

Rewards-based crowdfunding

Rewards-based crowdfunding is similar to the donation-based model; however, 'donors have an expectation that project initiators and fund recipients will provide a tangible but non-financial reward, product or perk in exchange for contributions.'⁽²⁾

The project initiator keeps 100% ownership of the project, is solely responsible for its delivery and incurs no debt from the money raised. Rewards given to donors do not have to be substantial, ranging from handwritten notes to free entry to funded events.⁽⁸⁾

This model is far more established than its donation-based counterpart, raising £42m in 2015. However, rewards-based crowdfunding is used to fund a wide spectrum of initiatives, not just those aimed at delivering public good. Therefore, Nesta estimates that of this £42m, only £8m went to projects promoting good causes. Reward-based crowdfunding campaigns tend to be larger than donation-based campaigns, with an average campaign size of £6,326 and an average of over 325 backers per campaign.⁽⁴⁾

Rewards-based crowdfunding is growing rapidly in the UK with a year-on-year growth rate of 62%. UK-based and international platform providers have also reported rapidly increasing funding volumes and popularity.⁽²⁾

Perhaps contributing to this rapid adoption of both rewards-based and donation-based crowdfunding models, is the rising trend of match funding from various public and private institutions. Organisations such as Big Society Capital have established foundations that provide match-funding support to social enterprises and good causes.⁽²⁾ Similarly, local authorities such as the Manchester and Plymouth have allocated sums to be used to match-fund projects that are aligned with their strategies and policies. Both have started to gather project ideas and administer this funding through crowdfunding platforms.

Market Size (£M)

Figure 1: Graph growth of the donation-based crowdfunding market from 2013–2015⁽²⁾

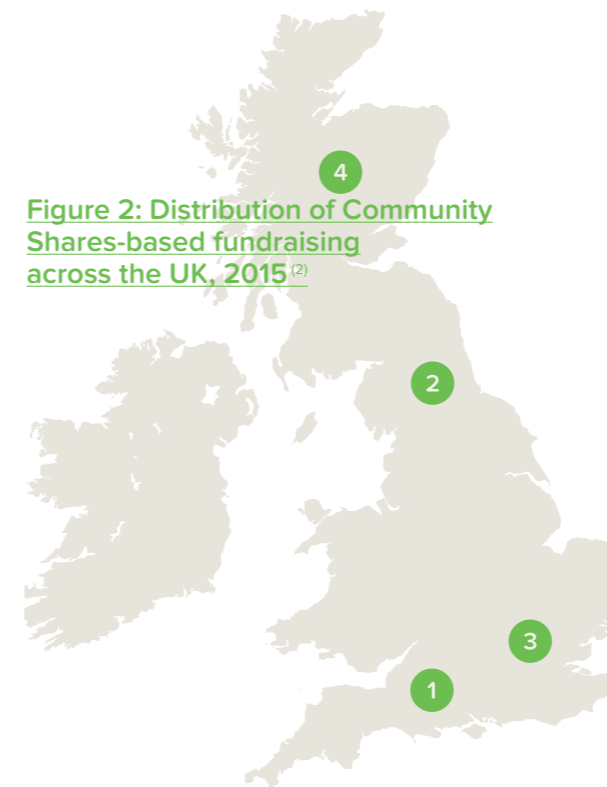
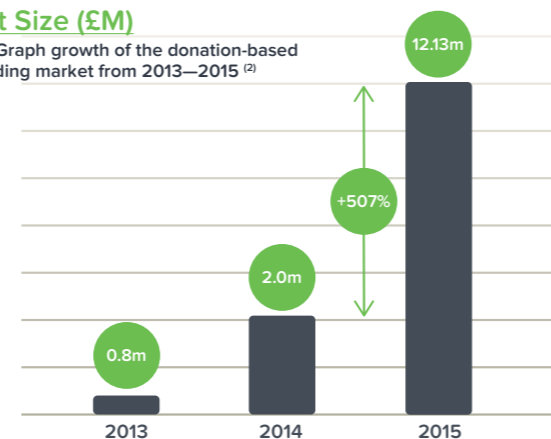


Figure 2: Distribution of Community Shares-based fundraising across the UK, 2015⁽²⁾

These characteristics make community shares an ideal way for the crowd to finance larger-scale community initiatives. In the past, community shares have been used to save local shops and pubs, to finance renewable energy schemes, to restore heritage buildings, to refurbish community facilities and ultimately build stronger, more vibrant and more independent communities. A recent study conducted by the Cambridge Centre for Alternative Finance found that the most common sectors to use community shares were energy, followed by leisure and hospitality.⁽²⁾

In 2015, £61m was raised through the issuance of community shares, compared with £34m raised in 2014. Average campaign sizes are significantly bigger than the crowdfunding models discussed so far at approximately £310,000. Interestingly, most fund-raising using this method takes place in the South West of England, followed by the North West, South East and Scotland. See figure 2.⁽²⁾

Community shares

The term 'community shares' refers to 'a form of withdrawable share capital unique to co-operative and community benefit legislation. This type of share capital can only be issued by co-operative societies, community benefit societies and charitable community benefit societies.'⁽⁹⁾ Community shares have the following unique characteristics

- They cannot be transferred between people. Instead, shareholders can withdraw their share capital subject to set terms and conditions.
- The value of shares is fixed.
- Shareholders have only one vote regardless of the size of their shareholding.
- Limits are placed on interest paid on share capital. The reason being that interest should be sufficient to attract investment, but not large enough for investors to make large financial gains. The primary motive for investment should be to contribute to public good.
- Most societies that issue community shares are subjected to an asset lock to prevent capital appreciation and investor speculation.⁽¹⁰⁾

While the community-shares model allows communities to raise significantly larger sums than more traditional models of crowdfunding, the model does have some drawbacks. First, community shares can only be offered by co-operative or community benefit societies. Therefore, to be able to issue community shares, organisations must go through the process of creating or converting to one of these types of benefit societies. This is time consuming and expensive. Furthermore, registered charities must apply to HMRC to be recognised as an exempt charity, which also involves stopping their registration with the Charity Commission. This change in status often renders organisations ineligible for some grants.⁽⁴⁾

Despite these disadvantages, community shares offer several compelling benefits to appropriate organisations. Community shares leave organisations with a healthy balance sheet as they are not considered a form of debt. In addition to this, as investors typically contribute due to a desire to do social good, they are often more likely to provide non-financial support in the form of volunteering and materials as they are eager for the initiative to be a success.

Municipal bonds

Municipal bonds are bonds issued by a local government or one of its agencies. When you buy a municipal bond, you become a lender to the government. In return, you are guaranteed a stream of future interest payments over the period of the bond, and also receive the invested amount paid back in full when the bond reaches maturity. (11) Many bonds issued by local governments are tax-exempt and therefore are of particular interest to investors as they generate protected income.

The municipal-bond model is most commonly used in the United States, where the market was valued at \$3.7 trillion in 2011. (12) In terms of the scale of projects funded, most municipal-bond issuances in the US range from \$1m to \$10m, and typically finance large public sector projects such as infrastructure-related repairs, green space improvements, school upgrades and even the construction of small airports.

Municipal bonds have been traditionally considered fairly safe investments with the majority of municipalities in the US recording stronger repayment patterns than corporate borrowers of the same credit rating. Rating agency Fitch found that corporate bonds are 10 times more likely to default than municipal bonds in a recent five-year cumulative study. (13)

In recent years, there has been a push for local authorities in the UK to enter the global bond market to combat budget cuts. There is a precedent for this push as the model has already been used by Transport for London as part of the funding package for Crossrail.

To progress adoption of municipal bonds, the UK Municipal Bonds Agency (UK MBA, previously known as the Loan Capital Finance Company), was set up in 2014 and was due to sell its first bond last April. It is the first organisation of its kind in the UK and its annual issuance was forecast quickly to reach £3m. However, to date, no bonds have been issued. (14)

Efforts are still progressing and as of January 2016, 56 local authorities, as well as the Mayor of London and the Greater Manchester Combined Authority, have signed up as shareholders. If the UK can develop a successful municipal-bond market, it will join China, Australia, many European countries and the US in tapping into this rewarding finance source, which is immensely popular with both governments and investors.

Summary of crowdfunding models

There are benefits and drawbacks to each of the models discussed above. Donation-based and rewards-based models are quick to implement, tend to raise funds in short time periods and are easily repeated. However, they tend to be limited to financing smaller projects.

Community shares and municipal-bond models typically raise larger amounts of money; however, they are subject to stricter regulations, therefore, they take much longer to set up and are not easily repeated. The models are restrictive in that only certain types of organisation can run community shares and municipal bond-driven crowdfunding efforts. Finally, these models also tend to be less accessible to the public due to their more complicated investment structures.

The appropriate model is typically determined by several parameters, including

- The amount of funds required
- The type of project being financed
- The structure of the organisation that is proposing the project.

The table provides a summary of the four funding models that are suitable for financing projects in the civic domain.

MODEL	DEFINITION	BEST APPLIED TO ...
Donation-based	A model in which a large group of contributors donates small amounts towards a project without expecting anything in return.	Smaller-scale projects such as temporary gardens or one-off events and activities. Less frequently, these models can be used to finance smaller-scale initiatives such as greenspace improvement and community infrastructure such as playgrounds.
Rewards-based	Similar to the donation-based model, however, contributors have an expectation that project initiators will provide a tangible but non-financial reward, product or perk in exchange for contributions.	
Community shares	Refers to 'a form of withdrawable share capital that can only be issued by co-operative societies, community benefit societies and charitable community benefit societies.'	Large-scale community initiatives such as financing renewable energy schemes, refurbishing community facilities, restoring heritage buildings or saving local pubs and shops.
Municipal bonds	Refers to 'bonds issued by a local government or one of its agencies.' A contributor becomes a lender to the government, who is then guaranteed a stream of interest payments over the period of the bond, and will also receive the bond amount repaid in full when the bond reaches maturity.	Larger public sector projects such as infrastructure-related repairs, green space improvements and upgrades of public facilities.

2. Why are local authorities adopting civic crowdfunding?



The benefits of involvement in civic crowdfunding initiatives are substantial and diverse, ranging from increased funds to spend on local-area-improvement projects, to enhanced citizen engagement, to improved community cohesion and resilience. These extensive economic and social impacts have attributed to the rapid adoption of civic crowdfunding initiatives by local authorities, community groups and social entrepreneurs in recent years. Benefits of civic crowdfunding initiatives include

The ability to leverage more money towards civic projects

The initial reason many local authorities become interested in civic crowdfunding is due to the additional funds it can generate. Figures from the Mayor's Crowdfunding Programme reveal that £225,000 of pledges from City Hall had leveraged in a further £375,000 in pledges from the crowd.⁽¹⁵⁾

Reductions in public spending have created a funding gap within the local public sector, community and voluntary sector organisations. This funding gap is further widened by the rapid growth of urban areas across the UK. Local governments are expected to provide the same services, for more people, with ever declining budgets.

Crowdfunding provides an opportunity to unlock new sources of finance from the public. Research has shown that when a person contributes to a civic crowdfunding campaign, their motivations are different from when they choose to contribute to charitable causes. When contributing to charitable causes, people tend to be driven by altruism. However, when contributing to civic crowdfunding campaigns, people are often more selfish in their motivations. People are more likely to contribute to projects that will directly impact them or projects that are well aligned with their interests. This results in the money pledged being withdrawn from a different 'personal pot' of money; a pot that has previously been untapped for the financing of projects for social good.⁽¹⁶⁾

While crowdfunding is not the solution to all the financial challenges facing these sectors, it could play a valuable role in enabling smaller local-area-improvement projects to secure funding by tapping into this new source of finance. These smaller projects are vitally important for neighbourhood cohesion and satisfaction but are often the first to be cut during times of austerity.⁽¹⁷⁾

The ability to fund projects that traditional funders will not

Closely related to the point above, many livability or 'social good' projects aim to improve an urban area without bringing direct and obvious financial gains. These projects are often difficult to finance due to their open-ended business cases. Civic crowdfunding is often successful in funding projects that would otherwise struggle to attract finance through traditional avenues. Studies of donation-based crowdfunding project initiators have shown that 64% of those who had used this method to raise funds were unlikely or very unlikely to have received finance elsewhere.⁽⁴⁾

This success is attributed to the methods used by crowdfunding platforms. They often make donors aware of who else is giving by listing names and donor details. This raises awareness of who else has given, creates a sense of belonging to a cause-driven group and increases the social pressure to act.

In the long term, as the number of successful livability projects increases and the non-financial impacts are realised, the areas may become more attractive to traditional investors.

A new approach to citizen engagement and participation

While the initial motivator for involvement is typically financial, authorities quickly discover that the core benefits of civic crowdfunding are far more revolutionary.

For many years, local governments have sought to integrate tools and approaches that enable citizen participation in planning processes and investment decisions. However, citizens are not satisfied with their current participation opportunities in civic affairs, and are expressing a desire to have a more involved role. Research by the Mayor of London's Intelligence Team has revealed that only 21% of their demographically-weighted survey sample were satisfied with the opportunity they have to participate in planning and regeneration. Through regression analysis, this measure was found to be the key driver of overall dissatisfaction with the city's built environment.⁽⁷⁾

Civic crowdfunding can tackle this dissatisfaction with current participation opportunities by introducing a bottom-up approach to small-scale urban area development; a stark contrast to traditional, top-down design methods. Crowdfunding facilitates a more proactive approach to citizen participation in place of the reactive consultations that have come to characterise the decision-making process. Through crowdfunding, anyone can propose a project idea, regardless of its size or level of ambition. Members of the community then decide whether to contribute projects that reflect their own values and concerns, creating a more individualised investment experience. The combination results in increased feelings of involvement and ownership on the part of the community, a more diverse set of community-focused projects and ultimately improved relationships between government and citizens.⁽⁷⁾

Furthermore, for local authorities that value authentic community engagement, a variety of small-scale, citizen-led projects can be a valuable dataset. Typical public engagement sessions can be confrontational. However, projects endorsed through civic crowdfunding represent what a community is for, rather than what it is against, which is often far more useful.⁽¹⁸⁾

Finally, studies have found that crowdfunding seems to engage a demographic that is younger than those that have traditionally engaged in civic affairs. Therefore, local governments that acknowledge citizen-led projects can identify new grassroots leaders and networks.⁽⁷⁾

The ability to inform smarter investment decisions

As a result of this new model of citizen engagement and participation, local authorities are able to direct resources and funding in a more informed way.

Civic crowdfunding allows the public to decide what projects will best address the needs of their community or neighbourhood, providing local authorities with valuable data about local needs and priorities. Consequently, crowdfunding can be used as a tool to examine the demand and suitability of public projects, and any match-funding decisions that follow are likely to be better aligned to areas of public interest. Ultimately, local authorities gain a more informed view of the civic landscape and can direct funds more efficiently.⁽¹⁷⁾

The ability to increase innovation while reducing risk

In the current economic climate, authorities are often looking to innovate to cut costs and deliver higher quality services for their communities. By involving themselves in civic crowdfunding initiatives, authorities can catalyse the generation of innovative ideas and reduce the risk of failure when executing them. All this takes place away from an authority's day-to-day responsibilities, essentially creating a 'safe space' for innovation and experimentation. First, in terms of generating new and innovative ideas, civic crowdfunding enables authorities to harness the creativity of the public and allows them to bring forward new ideas based on a deep understanding of local conditions.⁽⁴⁾

Second, regarding the reduction of risk and cost of failure, a key feature of crowdfunding is the 'pre-sell' nature of ideas. Under the all-or-nothing model that many platforms use, contributors pledge funds towards projects; however, no money is taken from contributors until a project idea has reached its funding target. If the project does not reach

its target, the pledges are discounted and no money is taken. This reduces the risk and cost of failure because if there is not enough support from the crowd, the project will not proceed and there will have been minimal financial loss.⁽⁴⁾ Alternatively, if a project does reach its target, a project initiator can be assured that there is support and belief in their idea.

Collectively, this opportunity for the generation of innovative ideas, combined with a reduced risk of failure and the ability to test public support can increase an authority's appetite for innovation and experimentation, resulting in a more diverse set of local-area-improvement projects.

Investment transparency

Finally, the topic of transparency within the public sector is becoming increasingly important, with more engaged citizens demanding clarity on how public money is being spent.

Civic crowdfunding is typically used to fund discrete projects rather than complex programmes of work or the more general activities of organisations. In this way, it provides a high level of transparency around what investments will be used for, and gives contributors a clear idea of how their input will benefit themselves and others.

As discussed above, the benefits of civic crowdfunding are numerous and diverse. However, as the domain is still in its infancy, the true scale and magnitude of impact that can be achieved through civic crowdfunding remains to be seen. Many initiatives have been launched in the last few years, therefore, their long-term impacts are yet to be realised and quantified. This is especially true for the more diffuse social impacts, which take time to manifest and are difficult to capture. However, progress is being made in this area, most notably by the Mayor of London, who have recently released a report detailing the social impacts achieved by the Mayor's Crowdfunding Campaign.

Case study

Social benefits of civic crowdfunding Mayor of London's Regeneration Team

The case study has been drawn from the report
**“Understanding the social impacts of the Mayor’s
Crowdfunding Programme: a qualitative
retrospective on rounds 1 and 2.”**

In 2014, the Mayor of London commissioned a report on an Open Ideas Platform from Future Cities Catapult. Since then, the Mayor’s Regeneration Unit has been developing and delivering an innovative new tool to support local investment in London’s communities—The Mayor’s Crowdfunding Programme.

The Programme has communities at its heart. The programme aims to enable Londoners to be part of regeneration through meaningful involvement in the bottom-up development of the city. Furthermore, the crowdsourcing of ideas was hoped to drive creativity and innovation resulting in new ideas for community regeneration based on an increased understanding of local conditions.

Project ideas and campaigns are developed and submitted by pre-existing community groups or through newly created organisations. Round 1 of the pilot programme saw the City Hall act as the sole funder for most of the projects, while in round 2, the City Hall required that at least 25% of a project’s financial target be generated through crowdfunding, transforming the initiative into a ‘matched-crowdfunding’ scheme. In the first two rounds of the programme, the City Hall has contributed to funding 37 projects across London from a budget of £600,000.

Following the close of the second round of funding, the Mayor of London’s Intelligence Team conducted a study into the often unexplored social and non-financial impacts of civic crowdfunding. Impacts arose in three main areas:

Community cohesion and resilience

Civic crowdfunding was found to strengthen bonds within the community, as well as create new networks by bringing together several community members and organisations with shared local interests who would otherwise not have come together. This resulted in an increased sense of belonging, a rise in public participation in community projects and consequently a heightened sense of respect and ownership towards public places and a willingness to preserve them.

Aside from the resident-to-resident engagement, the Mayor of London also saw crowdfunding projects play an important role in instigating partnerships with and between local businesses, as well as the local authority. This trend has significant longer-term impacts, potentially leading to a shift in distribution of community power and capital.

Growing skills and knowledge

For many involved in crowdfunding projects, it is their first experience of project management, finance and budgeting, campaigning, regeneration and planning. This presents opportunities for participants to develop both personally and professionally, and has led to real impacts on career progression and transformation.

Furthermore, the development of knowledge in the regeneration and planning process has been a significant outcome of many projects. It is well known that the planning system in England and Wales is characterised by complexity, multiple layers and piecemeal decision-making rather than hard rules. Knowledge and understanding of this process is integral to effective participation, which in turn democratises the planning process. Therefore, this impact should not be overlooked.

Health and well-being

The process of delivering crowdfunding projects was found to have positive impacts on participants’ mental health and well-being. These benefits were largely unanticipated and have been under-reported in research to date due to their non-financial nature and the difficulty in assessing their magnitude. Specifically, participants noted

- A feeling of satisfaction at having been involved in crowdfunding projects, which was attributed to the greater social reach and new friendship networks that project delivery gave those involved.
- A rise in confidence and self-worth built through ‘feeling you’ve done something good and helpful.’
- A heightened sense of civic pride and an increased fondness for their neighbourhoods.
- An increased feeling of safety.

Having been satisfied with the impacts seen in rounds 1 and 2, in early 2016, a further £730,000 was committed to the next round of the programme taking the total funding to £1.33m. The Mayor’s Crowdfunding Programme represents a shift in the local government financial regimes, and is the first time a mayor of a major European city has funded local civic improvement projects in this way. It is hoped to be the start of a new approach to regeneration and planning engagement.



3. How can local authorities get involved?



3.1 Phase 1

Passive observer

As discussed previously, citizens are eager to take a more prominent role in urban area planning, development, improvement and regeneration through participation in bottom-up initiatives such as civic crowdfunding. With this in mind, and having understood the benefits crowdfunding can deliver, an increasing number of local authorities are beginning to think about how they can encourage initiatives in their area and how they can become involved themselves.

While authorities across the UK differ considerably in terms of size, structure and culture, they all operate within the same legal and administrative frameworks and have similar civic duties in comparison with each other. This means that when considering involvement in civic crowdfunding initiatives, authorities across the UK tend to progress along a similar path. An authority's depth of involvement, and therefore the amount of progress along this path, is typically determined by their appetite for investment and risk, as well as the level of effort they are willing to commit.

When civic crowdfunding movements arise in their jurisdiction, authorities are now striving to find a balance between being supportive of bottom-up civic initiatives without overstepping the boundaries and becoming restrictive.⁽¹⁹⁾

All authorities begin as 'passive observers' of crowdfunding initiatives. They are largely unaware of active projects in their area, and in some cases, are entirely unaware of the field of civic crowdfunding. Their only involvement comes through the granting of permits and permissions to funded projects using their standard approval processes.

At the time of writing, approximately 90% (389/433) of the principal authorities across the UK fall into this phase of involvement, demonstrating that this is very much the status quo and that there is huge scope for adoption to increase.

Aside from the numerous benefits local authorities can enjoy from participating in civic crowdfunding, project initiators are increasingly aware that authorities have unique resources at their disposal. The local authority is the traditional executor of urban area development projects; therefore, it has a great amount of knowledge and expertise that can help project initiators plan and deliver their projects. They also have extensive networks of contacts that can streamline the development and delivery process. For this reason, there are rising external pressures for heightened local authority involvement.

Case study

The Hull Pioneers

“Over the last four years, Hull has seen unprecedented levels of spending and economic development. While a lot of time has been spent successfully driving economic growth, we understood that more time could be spent looking after and listening to the people of the city. The council do a great job; however, they have limited funds to spend on new initiatives in this area. This is where civic crowdfunding can play a valuable role.”
Tim Rix, Leader of the Hull Pioneers.

The civic crowdfunding initiative (or ‘movement’) in Hull is being driven by a group of local businesses called the Hull Pioneers. The movement is part of a wider role the businessmen are taking to be at the forefront of Hull’s regeneration and improvement ahead of, and during, its year as the UK City of Culture 2017.

Tim Rix, Leader of the Hull Pioneers said, ‘Over the last four years, Hull has seen unprecedented levels of spending and economic development. While a lot of time has been spent successfully driving economic growth, we understood that more time could be spent looking after and listening to the people of the city. The council do a great job; however, they have limited funds to spend on new initiatives in this area. This is where civic crowdfunding can play a valuable role.’

In partnership with KPMG, Tim engaged nine other local business leaders who each contributed up to £5,000 into a central pot of cash that would be used to match-fund community projects. To generate project ideas and distribute funding, the Pioneers have partnered with the Spacehive funding platform and have jointly launched the movement under the #MakeHull strapline. This movement aims to make local people realise they can make a material difference to the places and spaces around them, and ultimately aims to make Hull a better place. Areas of focus include

- Helping the environment
- Boosting the local economy
- Increasing volunteering, jobs and education
- Supporting the arts, culture and heritage
- Promoting activity and leisure.

Having been launched in early 2016, at the time of writing 22 projects ideas have been collected and three have been successfully funded. £26,198 has been pledged to date from 272 backers.

An example of a funded project is the Hull Folk and Maritime Festival, which promises to be a vibrant weekend offering a performance platform for local and regional acts, and the opportunity for the community to discover and enjoy all things folk. This project raised £19,442 in two months from 132 backers.

As the movement has gained traction across the area, the local authority has become aware of its existence and has started to engage with the Pioneers and the chosen service provider to understand the ways it can offer support.

This represents a typical path to involvement, where an initiative is started organically within the community, and the authority then comes on board to widen the scale and generate further impact. This represents the start of an authority’s transition from a passive observer to an active supporter.

Advice for others

DO IT!

Be aware that uptake will not be immediate. It takes a while for people to hear about what you are doing and to understand what it is about. There is a time lag between promoting a movement and seeing uptake, so be patient.

Have a vision. By having an overarching and inspiring vision for the movement, the public can buy into it and join you on your journey. They will understand why the movement is taking place and will want to become involved in making it happen.

Engage the third sector. Focus is often placed on securing funding and setting up the infrastructure, but the softer support system for project initiators is equally important. The voluntary sector is often knowledgeable about public realm projects and how to get them delivered, therefore it is a valuable ally. The Hull Pioneers have partnered with local voluntary organisation the Smile Foundation, who will help provide these facilitating services.



Dancing in the Deep, Hull Folk and Maritime Festival

3.2 Phase 2

Active supporter

When an authority decides to become more involved, the natural next step is to become an active and visible supporter. This involves authorities educating themselves about civic crowdfunding and how it may fit into their current set-up, beginning to engage the wider community and establishing a low-key digital presence.



Activity 1 Initial Briefing

The first step in this phase is often to accept a briefing from an established crowdfunding platform provider. These organisations educate key individuals within the authority about the civic crowdfunding domain, building capacity and understanding within the authority. They are also well placed to advise on possible ways forward.



Activity 2 Initial Community Engagement

Often with the support of platform providers, the authority may then choose to engage with members of their local community, such as community groups, to understand what is already taking place and where their help is needed. This step also starts to raise awareness that the authority is becoming active in the domain.



Activity 3 Establish a Digital Presence

Following initial briefings and engagements, authorities can make the first decisive step in becoming involved in civic crowdfunding by developing a public online presence. The easiest and most cost-effective way to establish this presence is through the creation of a branded webpage. In some cases, there will already be an existing crowdfunding initiative, run by a local trust or charitable organisation, to which the authority can lend support. By negotiating a co-branding arrangement and committing some resources, this support adds a heightened level of legitimacy to the existing initiative, while allowing the authority to remain slightly removed.

When there is not an existing initiative, the authority is required to create its own digital presence. Initially, this can take the form of a simple webpage that announces to the community that the authority is now involved in civic crowdfunding, and will state its aims and objectives for doing so. When the authority feels ready, it can expand the webpage, turning it from a static declaration of presence, into a call for action and online marketplace for the collection of project ideas and funds from the crowd. While this may seem like a considerable leap, progression to this stage only requires moderate resource allocation, minimal financial commitment and involves no obligation to commit any funds to project ideas that emerge.

Options for establishing a digital presence

By far the most popular approach to establishing a digital presence is to utilise an existing platform provider. In recent years, there has been a proliferation of crowdfunding platforms that cater to the varying needs of organisations looking to run civic crowdfunding campaigns. To aid organisations in selecting a platform, Nesta has created a directory of them at www.crowdingin.com, which helps interested parties find the platform that best suits their needs.

The crowdfunding platforms suitable for civic projects typically fall into two categories:

Third-party managed platforms

Many local authorities opt to buy a managed platform service subscription from a third-party provider. These platforms typically charge a small annual recurring fee, and then take a percentage fee from the funds raised through the platform. (Fees typically range from 1–5% per project successfully funded). In exchange for these costs, as well as providing an online presence, the best existing platforms provide many other social and strategic value-added layers that local authorities may not have the capacity or desire to provide. For example, many platforms offer campaign management advice, connections to larger funders and established interest groups, and training and support for the wider community. These platforms also conduct due-diligence checks on projects before they start collecting funds, to ensure deliverability and quality.

White-label

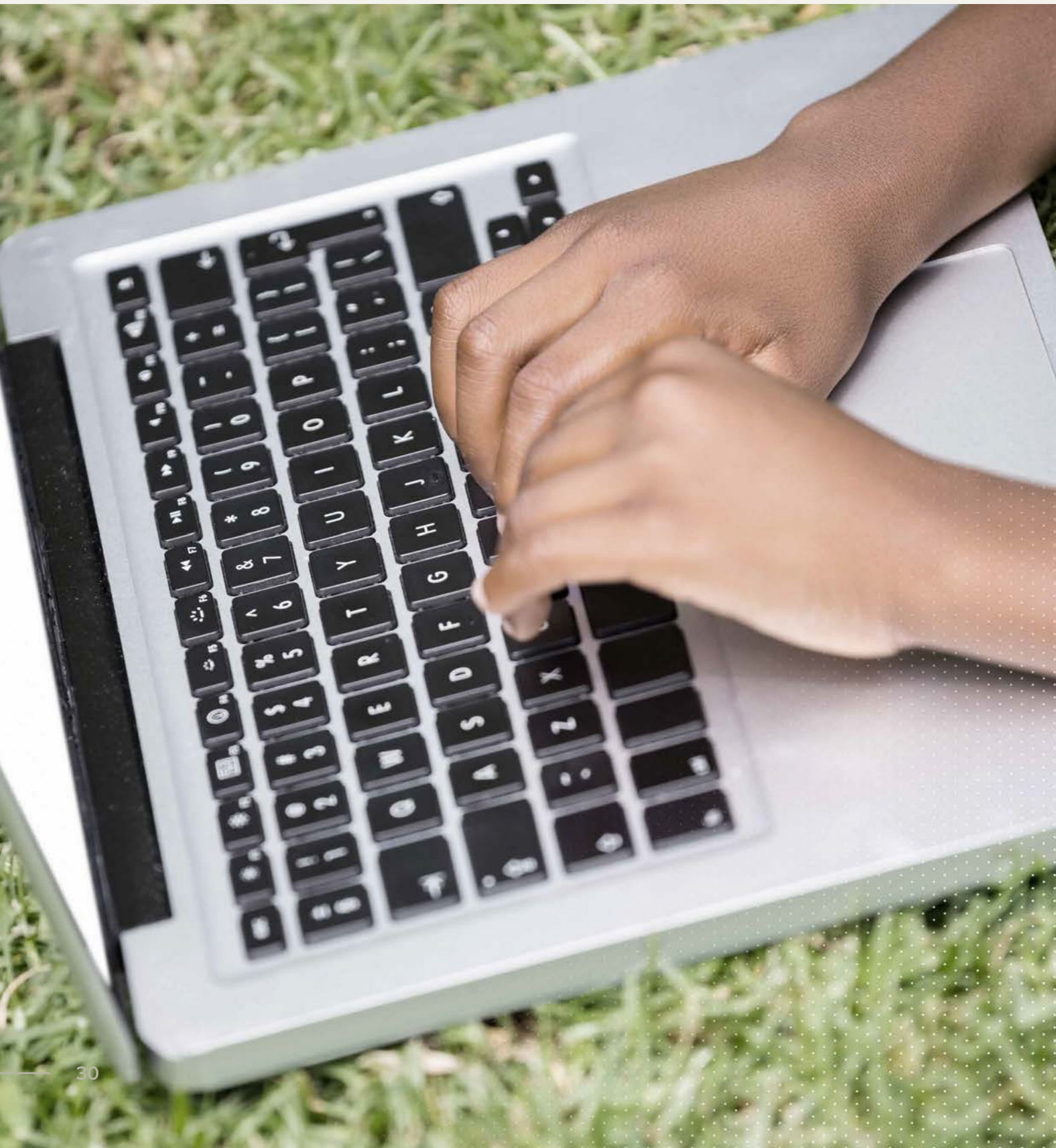
This option provides a ready-to-use crowdfunding platform that can be customised and branded in keeping with the purchasing organisation's themes and identity. Hubhub is an example of a UK-based white-label platform that specialises in catering for the education and non-profit sectors. While cheaper up-front, the white-label option requires a higher level of ongoing resource commitment than the third-party-managed option as authorities are required to manage and curate the platform themselves. Because of the level of effort required, this option is only recommended for medium to large organisations with available resources.

While the two approaches discussed above are by far the most widely used, an alternative approach taken by some organisations is to build their own web presence.

Create-your-own

Some organisations choose to create their own crowdfunding web presence to customise it completely to their specific funding and marketing needs, and to gain full access to the data generated. This approach allows organisations to avoid paying platform fees on money raised to third-party platform providers, meaning more of the money raised can go to the intended cause. However, creating and maintaining a proprietary web presence carries significant cost and should only be considered by large organisations with ample funds and resources to commit. For budget- and resource-constrained local authorities, this approach is not recommended.

UK-based platforms used for civic crowdfunding



Third-party platform case study : Spacehive

Spacehive is the only UK-based online crowdfunding platform solely for projects aimed at improving local civic and community spaces. Using a donation-based, all-or-nothing funding model, it allows anyone to put forward ideas for neighbourhood or civic improvement projects, and allows anyone to fund them.

Spacehive's model combines community crowdfunding with institutional match funding and traditional grant-giving mechanisms. Councils and local businesses can match-fund community projects that are aligned with their strategic objectives or areas of interest. Spacehive has also formed several partnerships with corporate and philanthropic organisations who provide more traditional grant finance alongside the crowdfunding efforts of the community. Partner organisations include the Esmee, which streamlines the process of applying for grant funding from these organisations. As mentioned previously, Spacehive has also introduced the concept of 'movements' into its platform, allowing projects with certain commonalities to be grouped together, making it easier for both the crowd and institutional funders to find projects in which they are interested.

Further to this, Spacehive is also helping to tackle the issue of deliverability of projects by calling upon an expert partner organisation to verify that projects are ready to start crowdfunding. Due diligence is carried out across areas such as evidence of costs, landowner consent, planning permission and risk. Since its launch in 2012, Spacehive has

- Enjoyed a 52% project success rate. This is fairly high for crowdfunding projects and is largely attributed to the combination of funding sources and verification of project deliverability. ⁽²⁸⁾
- Raised £6.11m towards civic and neighbourhood improvement projects.
- Made £1.16m available from partner organisations.
- Registered projects in 372 cities, towns and villages.



White-label platform case study : Hubbub

Hubbub is a white-label crowdfunding platform that aims to be the leading provider of digital fund-raising solutions for the education and non-profit sectors.

By allowing organisations to host their own instance of the platform, complete with their own brand, logo and site copy, Hubbub aims to maximise donor acquisition and donor retention. It claims that the average gift amount is over 40% larger on a self-branded platform compared with a third-party alternative. Hubbub also provides an extensive suite of site analytics, which allow initiators to understand more about their donor base. This feature is deemed especially useful by public sector initiators who want to understand aspects such as the demographic and geographical spread of their donor base.

Finally, Hubbub also operates its own instance of the crowdfunding platform, which they allow individual project initiators to use for free, unlike many other platforms. ⁽³²⁾



Third-party platform case study : Crowdfunder

Crowdfunder is the UK's largest crowdfunding platform. Utilising both rewards-based and donation-based funding models, Crowdfunder has raised £31m for projects to date. Project initiators can choose to fund-raise on an all-or-nothing or keep-what-you-raise basis. It is a generic platform raising funds for projects across a spectrum of subject areas including film and theatre, publishing, food and drink, politics and community.

In a similar manner to Spacehive, it has several partner organisations that augment the funding efforts of the crowd through traditional grant giving. Partners include Big Society Capital, Santander and AXA. At the time of writing, £3.6m of extra funding is available to projects depending on their area of focus. ⁽²⁹⁾



US-based platforms used for civic crowdfunding



Third-party platform case study : [Citizinvestor](#)

While some of the platforms mentioned above rely on public authorities permitting the projects to go ahead once the funds are raised, other models give public institutions a much more active role in deciding which projects can seek funding.

Citizinvestor is a US-based crowdfunding platform for local government projects that have support from City Hall and citizens, but simply lack the necessary funds to be completed. Projects can only be submitted by government entities, usually municipal governments or their official partners. The platform also incorporates a petition process through which citizens can promote independent projects. If the independent project is approved by the appropriate government entity, it can become an official project on the platform.

Initial focus is on funding 'micro' projects with a value of between \$10,000 and \$20,000. Citizinvestor utilises a donation-based, all-or-nothing model, and all donations are tax deductible.

An example of a Citizinvestor project is when Central Falls in the US could not afford to invest in new bins to keep the local park clean, and instead used Citizinvestor to raise \$10,044 to fund a local non-profit to install and maintain a new bin system. ⁽³⁰⁾

Citizinvestor

Third-party platform case study : [Neighborly](#)

Neighborly is a San Francisco-based online investment platform that allows individuals to invest in civic projects through municipal bonds. Founded in 2012, Neighborly has created a relatively simple and personalised process for individual retail investors to access the \$3.6 trillion municipal securities market. It aims to make municipal bonds accessible and transparent.

Neighborly allows users to set up a personal profile with their preferences for risk, amount of capital they are willing to invest and expected return. Based on these details, Neighborly uses technology to send individuals personalised recommendations, sales and issuance notifications. It then sells municipal securities through its affiliated registered broker-dealer Neighborly Securities.

Using this platform, Neighborly users can invest in secure and tax-exempt securities that impact their own communities and particular projects of interest. This social venture not only improves the conditions of local communities but also promises a safe and attractive return to investors.

From a local government perspective, Neighborly provides a platform to locate, organise and manage documentation, eliminating the need for costly and often inefficient legal and advisory services. Examples of ideal projects include those that support schools, create microgrids, tackle water scarcity, create resiliency or benefit those in need. US cities utilising the platform include Austin (TX), Burlington (VT) and Somerville (MA). To date Neighborly boasts

- \$10 billion in annual bond-buying power (Neighborly Capital Network)
- 11,000 investors on the Neighborly Platform
- 250,000 issuances analysed on the Neighborly Data Platform

Although not yet active in the UK market, Neighborly represents an interesting evolution in the civic crowdfunding platform landscape. ⁽³¹⁾



Case study

Southwark Borough Council

“Southwark is an energetic and diverse borough in the heart of South London. We are already home to many wonderful projects, organisations and people who give the borough its unique character.”

As with many crowdfunding movements, local residents in Southwark were active in the domain before the council got involved. In response to community demand, the council has become an ‘active supporter’ of the movement by engaging with the local community and creating a digital presence. This has been successful in broadening the reach and increasing participation in the movement.

Southwark is making efforts to progress further on its crowdfunding journey by catalysing activity through the provision of funds. While the council has no ring-fenced budget to contribute to funding projects brought forward by their crowdfunding platform, it endeavours to carve out funds on an ad hoc basis to support worthy projects.

Southwark benefits from being home to a high concentration of creative businesses and highly skilled individuals, therefore it has seen some extremely innovative projects develop, on a scale rarely seen elsewhere. These projects include



Peckham Lido

Buried underneath Peckham Rye Common is the old Peckham Lido, which fell into disrepair in 1987. This crowdfunding campaign again aims to fund a feasibility study into the restoration of the Lido into a multi-purpose community space, including a 50-metre swimming pool, wild swimming pools and an outdoor cinema. This project was successfully funded on 19th July 2016, raising £63,106 from 1085 backers.

When asked about the benefits crowdfunding is bringing, Southwark stated that it offered a new way of coming up with project ideas, and involved new stakeholders. Historically, they had seen the same group of people coming forward. It has also resulted in new forms of funding, which is useful in these times of declining budget, however, they were quick to stress that they do not see crowdfunding being used in place of traditional capital programmes. It merely forms a part of their funding armoury.

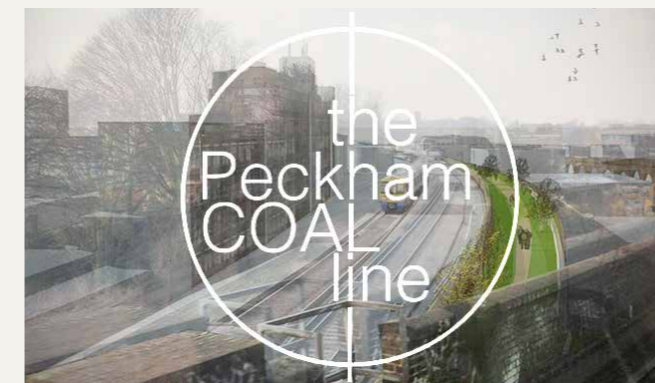
In terms of challenges faced, Southwark identified three that they are working to overcome.

- How to prioritise projects to receive funding?
- How to govern the distribution of funds?
- How to evaluate the impacts of civic crowdfunding?

Advice for others:

Give the movement space. When launching a crowdfunding movement, let it embed itself and grow organically. Do not smother it. If it can feel like a grass-roots movement, the community will have space, time and freedom to come up with creative ideas.

Go for the low-hanging fruit. To generate momentum, authority funders should back some projects early in the movement’s lifetime. They stated that events and temporary installations tend to be easy, quick and crowd pleasing, making them a good way to raise awareness about the movement.



Peckham Coal Line

The Peckham Coal Line will be an elevated urban park built on a disused railway coal siding to form a natural physical and social link between two high streets. The crowdfunding campaign was launched to fund a feasibility study that would assess the viability, costs and risks associated with developing such a park. The project was successfully funded on 31st October 2015 and raised £75,757 from 928 backers.

3.3 Phase 3

Catalyser of activity

Once the initiative has been set in motion, authorities are often shocked by the lack of activity on their newly created web page. This lack of activity usually stems from the fact that people either do not know about their initiative or once they have heard about the initiative, they do not know how to participate. There are several catalysing actions that a local authority can undertake to drive awareness and activity around their initiative.



Activity 1 Marketing and PR Activities

At this stage, an authority should start to develop a marketing and PR strategy around their initiative to 'get the word out'. This should utilise a diverse range of avenues so as many community demographics as possible are reached. Avenues used to date include

- Traditional institutional avenues such as press releases and newsletters
- Online methods such as webinars
- Social media avenues such as Facebook and Twitter
- Attendance at local events
- Visual advertising through the use of posters and leaflets in public spaces.

It is important that communications target both project initiators and potential funders to stimulate the supply and demand sides of the market simultaneously.



Activity 2 Provision of Training, Capacity Building and Support Services

Once the local crowdfunding initiative has been marketed and community attention has been captured, it is often necessary to provide some training and capacity-building services. The community may be interested in participating, however, it may not fully understand what civic

crowdfunding is, or how they can become involved. It is important that these services are aimed at all stakeholders of the ecosystem: individuals, community groups and local businesses, as all have an important role to play.

Training sessions can either be provided by the local authority itself or, more commonly, the authority will pay for third-party service providers to host workshops within the local community to build capacity and understanding. This investment pays dividends in the long term as it generates higher levels of involvement, which in turn leads to more project ideas being put forward, and more financial contributions from the crowd.

Aside from basic training, local authorities can provide enduring support services for project initiators throughout the lifecycle of their projects. As mentioned previously, local authorities are the traditional executors of urban-area-improvement projects, therefore, they have extensive knowledge and networks of contacts in the domain.

When looking to start crowdfunding projects, citizens typically find that there is a lack of information about what the project initiators need to do to make their idea a reality. Citizens often have ideas for an urban-area-improvement project, but may have a lack of technical, institutional, process and financial knowledge that is required to progress and execute them. The expertise needed to deliver area-improvement projects successfully can be provided by the local authority. The authority can continue to support project initiators throughout the delivery process to facilitate quick and easy execution. Alternatively, if the local authority does not have the bandwidth to provide these support services, a third-party provider can be secured for a charge.

The supportive ecosystem established through these services is likely to give initiators the confidence to proceed with their ideas, resulting in a wider and more diverse spread of crowdfunded projects. The upskilling of all ecosystem stakeholders enables a large pool of actors to participate in all aspects of crowdfunding.⁽⁵⁾



Activity 3 Provision of Funding

While crowdfunding is predominantly about involving the crowd in funding projects, institutional funders such as foundations and local authorities are beginning to explore how they can contribute funds to finance promising projects through crowdfunding.⁽⁴⁾ This is typically done through match-funding schemes, where part of the total funding for a project is provided by an institutional funder if the campaign raises the remaining amount from the crowd. This model provides an interesting evolution of the civic crowdfunding model, combining the bottom-up ideas and small donations from citizens, with top-down institutional funding, which can be leveraged to fund larger projects.⁽⁴⁾

However, it is important that this match funding is given at the correct time to avoid the 'crowding out' effect.⁽⁵⁾ If institutional funding is given at the beginning of a fund-raising campaign, it may deter potential crowd funders as they may feel like their contribution does not matter due to its comparatively small size. Potential funders feel a reduced sense of ownership and impact, which is a key driver for donation or investment in social causes. Instead, local authorities can stimulate a campaign by pledging to match the funding goal or to supplement the funding goal if a certain amount is reached. Used in this manner, large government donations can trigger more donations.

From a local authority's perspective, there are several benefits to providing funding to civic crowdfunding campaigns. First, more projects can be funded with the same amount of money as the project will be partly funded by the crowd. Second, any funding given will be more aware with regard to public support. When using a match-funding approach, authorities only give to projects that have demonstrated public support through the crowdfunding campaign; therefore, funds are directed more to causes that the community cares about. This ultimately results in the authority's funds having more impact.

Another approach authorities can use to support crowdfunding initiatives through the provision of funds is to cover the ongoing management and maintenance costs of service projects. While most civic crowdfunding campaigns tend to raise funds for one-off activities or temporary installations, some aim to finance projects

that result in the delivery of services. For example, a playground funded through civic crowdfunding will require ongoing maintenance to ensure it remains safe for use. It is difficult for crowdfunding campaigns to fund these ongoing costs, therefore, the authority can step in to absorb these costs, on the basis that the initiative is doing social good for the community.⁽⁴⁾



Activity 4 Guideline, Policy and Strategy Development

The development of guidelines, policies and strategies surrounding crowdfunding initiatives may not initially stand out as a catalysing activity; however, it is a critical component of streamlining delivery processes and achieving scale. They provide consistency, direction and rigour that are necessary to deliver crowdfunding initiatives successfully.

Examples of policies and guidelines that should be developed include

- Engagement policies and strategies
- Funding policies, guidelines and assessment criteria
- Training strategies
- Marketing strategies
- Policies surrounding overarching governance of initiatives

The catalysing phase represents a crucial step in developing the ecosystem around the initiative, which is key to facilitating the generation of ideas, the contribution of funds and securing the longevity of the initiative. Without an active and engaged ecosystem, an initiative is unlikely to upscale and create a real impact on local communities. In line with activities undertaken at this stage, authorities should begin to develop a clear and considered view on how the crowdfunding initiative supports and enhances its wider institutional strategies. This starts the transition of crowdfunding from a siloed experimental activity into an integral part of a council's engagement and decision-making processes.

Case study

Royal Borough Of Kensington and Chelsea (RBKC)

The Venture Community Association Preparing for Notting Hill Carnival



Over two years ago, the Royal Borough of Kensington and Chelsea attended an event hosted by platform and service provider Spacehive. Recognising the value civic crowdfunding could bring to their communities, RBKC set up their own movement using the Spacehive platform. RBKC has since progressed to being a key catalyser of activity in the borough.

The movement is run out of the Borough's internal Community Engagement team, which is already heavily involved with the local voluntary sector and administers grants to support civic projects through its 'City Living, Local Life' programme. This programme aims to

- Enhance understanding of local areas.
- Build stronger connections and relationships within communities.
- Help to identify, assess and prioritise improvements in local areas.
- Devise practical solutions that engage and involve local people.
- Work with local people and organisations to deliver those solutions.

Under this programme, small amounts of seed funding are available across each ward to make improvements or to kick-start local initiatives. The ethos and aims of this existing programme resonated well with the goals of civic crowdfunding; therefore, the Community Engagement team proposed introducing a crowdfunding movement as a way to generate new ideas around delivering neighbourhood improvement projects, attract new stakeholders and to make their existing budget go further by bringing in additional funds. This seed funding can now be applied to crowdfunded projects and is succeeding in catalysing activity across the borough. Ward councillors have the responsibility of deciding which projects to fund with the 'City Living, Local Life' grant fund.

Further to this, RBKC is also focusing on providing services to existing community groups to help them come up with and develop project ideas. Their aim is to get more groups comfortable with this approach to fund-raising, and therefore increase participation across the borough.

Finally, RBKC have started to think about crowdfunding strategically and are now clearly articulating the impacts they would like to see. They have introduced several 'thematic focus areas', which aim to encourage development of projects in certain social areas.

In the first year, RBKC successfully crowdfunded three projects, which showed others how to use the process and drove further uptake. To date, the RBKC movement has raised over £29,000 in pledges from over 200 backers. Specific project examples include raising money to enable a group of children from a local community association take part in the Notting Hill Carnival, and funding the Kensington Borough Football Club to take part in a football league and host a community football tournament for young people.

In addition to the widely reported benefits of civic crowdfunding movements, RBKC also highlighted the exposure that crowdfunding brings charities and community organisations as a major benefit. Crowdfunding is extremely public, allowing them to raise their profile both within the community and further afield.

While the benefits were fully understood and are in the process of being realised, RBKC did state that the investment of time required to launch and run a successful crowdfunding movement has been a challenge. It has been a huge commitment and has been taken on by the Community Engagement team in addition to their normal workload. RBKC warned that other authorities may struggle to allocate so much of their time to such an initiative, and may not have a team that is as well positioned to own the initiative.

Advice for others:

Pay attention to where projects are coming from and who is supporting them. RBKC has noticed that a lot of the projects in its movement are in the north of the borough. This has been attributed to the higher levels of voluntary activity in these areas; however, having noticed this trend, the council is now trying to encourage participation from wards in the south of the borough.

3.4 Phase 4

Confident leader

The final stage in the journey to establishing an enduring civic crowdfunding initiative is becoming what is termed here a 'confident leader'. This stage involves legitimising and scaling up crowdfunding initiatives through securing support from senior leadership, evaluating impacts and acting as a mentor to others across the community.



Activity 1 Securing Senior Advocates

A key milestone in ensuring the longevity of a crowdfunding initiative is its transition from an officer-level project to a senior-level responsibility. Once a senior-level representative, such as a mayor, leader or deputy, has publicly supported an initiative, it is elevated to new realms of legitimacy and prominence. This has knock-on effects on the participation and engagement of the wider ecosystem. To secure this senior buy-in, it is often necessary to demonstrate the impact the initiative is having for both the authority and the local community.



Activity 2 Evaluating and Measuring Impact

To justify the existence and continuation of a crowdfunding initiative, many budget holders will require evidence of the value it is delivering. It is, therefore, important that once an initiative has been embedded and operational for some time (typically two to three years), impact assessments are conducted. These can take the form of traditional economic impact measurement approaches, such as return on investment. The output of these assessments can be used to optimise further the initiative in the future.

While quantitative economic impacts are undoubtedly important, more qualitative social impacts should not be forgotten. As demonstrated by the Mayor of London case study, the social benefits of crowdfunding can have huge impacts on the health, well-being and capabilities of the community and this should be taken into account when forming an overarching view on the value that an initiative is delivering.

A further impact that should not be discounted is the impact of crowdfunding on the sentiments of the community with regard to their involvement in civic affairs. Crowdfunding provides a democratic method for participating in urban areas improvement, which has been shown to improve feelings of control and ownership within the community. This is invaluable in a time when people are openly dissatisfied with the level of involvement they have in civic affairs.



Activity 3 Enabling and Advising Others

This activity is akin to further ecosystem development. Once a local authority has embedded, catalysed, streamlined, evaluated and optimised a crowdfunding initiative within their own locality, they are in a strong position to disseminate their knowledge to other authorities who are just starting their journey. As well as other government institutions, authorities can disseminate knowledge to other stakeholders in the ecosystem such as businesses, foundations and trusts who may also wish to start a crowdfunding initiative. This has a compounding effect, simultaneously upscaling the crowdfunding approach, delivering bigger impacts and revolutionising civic participation across the country.

“Our crowdfunding initiative is a chance for all Londoners to take part in the regeneration of their neighbourhoods — from the grassroots up.”

Sadiq Khan, Mayor of London



Case study

Manchester City Council

Project: Roman Gardens, Castlefield



Manchester City Council is leading the way in adopting civic crowdfunding to transform local-area improvement in the city, and to augment traditional community engagement methods. Having run an earlier pilot phase, their most recent 'Our Manchester' movement was launched in 2016 in collaboration with the Lord Mayor's Charity, and aims to improve parks, greenspaces and waterways across the city, as well as encourage more people to use them and adopt a more active lifestyle. As part of this programme, Manchester has

Created a specific pledge pot

Manchester City Council has provided a £60,000 pledge pot, from which it is pledging up to £5,000 towards the crowdfunding targets of the best projects. This council funding is supplemented with contributions from other grant-giving bodies, such as the Esme Fairbairn Foundation, Better Communities and Growing a Greener Britain, from which the project creators have also managed to secure a pledge.

Adapted internal processes

To support the crowdfunding initiative, Manchester has reviewed the processes and criteria by which grants are awarded. Traditionally, grant application processes are run in a batch manner, using a funding-round structure along with fixed deadlines for submissions so that comparative assessments can be made. However, the council has noted that, in the case of civic crowdfunding, they need to be more responsive to project timescales. Therefore, the council has developed a new approach, complete with bespoke scoring methodologies and assessment guidelines, allowing them to make decisions on a project-by-project basis.

Conducted branding, marketing and PR activities

The council has ensured that the branding of their third-party hosted website is neutral and slightly removed from their traditional institutional style. The 'Our Manchester' identity is instead derived from the city's community strategy, which has helped to give the initiative a bottom-up feel and has allowed the community to feel some degree of ownership and freedom. In terms of marketing and PR activities, the movement was launched softly through a series of briefing events held in community spaces, and has been reinforced with outreach through social and print media.

Integrated with existing strategies and processes

Last year, Manchester City Council launched its new Community Strategy, also called 'Our Manchester', for 2025. A core aspect of this strategy is the use of new approaches to enable the council to work in association with partners to deliver a joint city vision. Civic crowdfunding is expected to play an integral role in enabling the council to work better with individuals and organisations at a grassroots level, therefore the current movement has been aligned with, and integrated into, this new strategy.

Secured senior-level support

The 'Our Manchester' movement has been publicly supported by council leadership in the form of press releases. This has raised the profile of the crowdfunding movement, as well as adding a heightened sense of legitimacy.

Looking to the future, Manchester sees civic crowdfunding as a positive and critical way to encourage people to come forward with local-area-improvement ideas, and to support them through the delivery process. The approach forms part of a wider aspiration to make access to council support more democratic and available and encourage residents and groups to find imaginative and resourceful approaches to fund-raising.

Advice for others:

Invest in capacity building. Capacity building within the community is crucial. Manchester chose to use an independent crowdfunding consultant to run training sessions and workshops within the community. This has proven important in not only increasing the number of projects being brought forward but also in better equipping the project creators to achieve their aims. A more equipped project creator is better able to promote their campaign, engage the 'crowd' and attract funding.

Diversify community engagement methods. Manchester has highlighted a desire to improve the reach and depth of its community engagement. It has been surprised that existing, well-established community groups are not coming forward with more ideas; therefore, it is considering new ways to develop deeper relationships, for example, by sending council officers to attend more community events such as meetings and fora. Furthermore, it is experimenting with the use of different forms of communication to reach residents who are not accessible through groups.

Consider the size of the pledge pot. In Manchester's experience, pledge pots need to be big enough to attract interest, but not so big that they are daunting. For example, a £1m pledge pot may result in small organisations feeling that their smaller projects are too small to be considered; therefore, they may not come forward. In these cases, large funding pots can be split into pots dedicated to specific aims, or the funding can be released in phases to drive a continuous flow of new ideas.

Integrate crowdfunding with other funding methods. Manchester is as interested in the projects that do not get funded through crowdfunding, as the ones that do. Some projects may be great ideas but are not suitable to be funded through a crowdfunding approach. For those that are not suited to crowdfunding, the council can redirect project creators to the appropriate funding mechanism and can broker assistance.

Be mindful and upfront about hurdles. As Manchester has integrated its crowdfunding movement with various strategies, there have been cases where the approval of projects has been held up by the internal mechanisms of strategy development. For example, the council is unable to approve projects within a specific area until the traditional consultation process or master planning has been completed and the strategy has been finalised. In these cases, the council recommends being open and transparent with project creators, as well as highlighting potential solutions such as relocation of project locations.

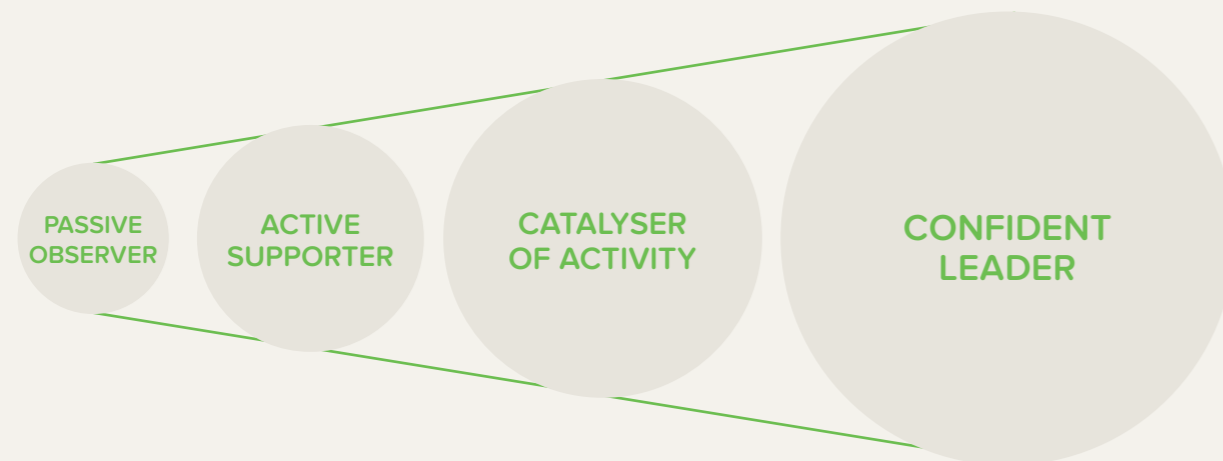
3.5 Summary

As mentioned previously, the phase a local authority reaches is largely dependent on their appetite for risk and the level of commitment they can make, both monetarily and in terms of resource effort. In return for a heightened risk appetite and increased level of commitment, the resultant impacts are typically larger and are enjoyed more widely across the local area.

However, as with any general rule, there are exceptions.

For example, in areas where there is already a successful and active civic crowdfunding ecosystem, there may be reduced demand and necessity for local authority involvement. This is not to say that an authority does not still have a valuable role to play, but the outlays are likely to be less than for authorities in areas that are trying to start initiatives from scratch. Nevertheless, it is hoped that this section has provided a helpful guide to the progression of authorities when starting, embedding and upscaling civic crowdfunding initiatives.

Circle scale —————→
Increasing levels of risk,
commitment and impact



4. Common concerns and barriers to adoption



4.1 What are the potential Issues with civic crowdfunding?

Civic crowdfunding is experiencing rapid adoption and growth across the UK, primarily driven by the growing evidence base surrounding the social and economic benefits it can deliver. While these benefits are widely accepted and appreciated, there are several concerns and barriers that should be noted to ensure that crowdfunding initiatives are successfully executed in a fair and appropriate way. These concerns and barriers include

Fair representation of the needs and desires of the local population

Several concerns have been voiced around the potential impact of lack of diversity, equality and cross-demographic participation in the civic crowdfunding process. First, those that participate in civic crowdfunding, from project initiators to donors, tend to be those who are online and those who understand how crowdfunding works. Online literacy is more prevalent in certain demographics of society; therefore, the projects that are put forward and funded through civic crowdfunding may not be representative of the whole community.⁽²⁰⁾ Studies have shown a strong correlation between age, education level and crowdfunding participation, with those who are university educated and aged between 25 and 34 years being most likely to participate.⁽²¹⁾

Building on this, it has been suggested that wealthier people and communities are more adept at running successful crowdfunding campaigns as they can raise funds from their own networks. Crowdfunding is based on the concept that people 'vote with their wallets', thus giving the wealthy increased influence in determining which projects succeed and which do not, even if their decision does not represent the wishes of society as a whole.⁽⁴⁾

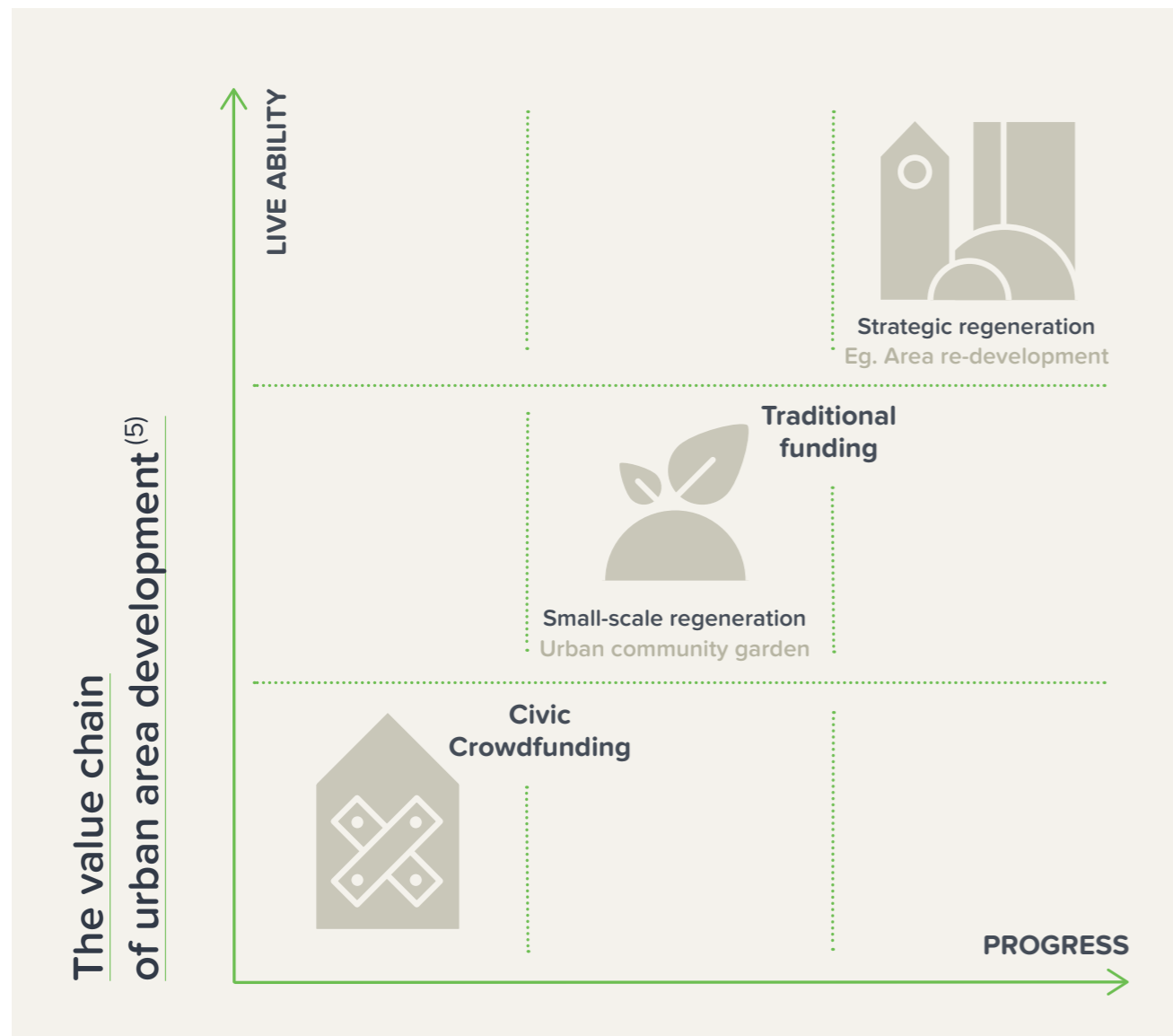
It should be noted that while some argue that wealthy communities are more adept at running successful crowdfunding campaigns, this does not mean that crowdfunding successes are concentrated in better-off areas of a city or that the appetite for civic crowdfunding is heightened in these areas. On the contrary, the Mayor's Crowdfunding Programme found that more projects were delivered in the 50% most deprived areas than in the 50% least deprived areas of London. It saw a peak in applications among high-growth, rapidly changing areas such as Dalston, Peckham, Walthamstow and Crystal Palace, where incoming young populations have brought skills, capacity and wealth that may not have existed previously.⁽⁷⁾

This dominance of certain groups over others not only manifests itself in where projects are initiated but also in the types of projects that are funded. Crowdfunding distributes decision-making authority to the crowd, allowing them to decide which projects are worthy of funding and which are not. This decision is often based on what projects appeal to that particular crowd's interests, while organisations and individuals who initiate projects and seek funding often do so based on their expertise and knowledge of a challenge or social need in a particular area of society. When interviewed, some platforms highlighted that because of this mismatch between areas of interest and societal needs, some types of campaign have proven more difficult to crowdfund, such as those supporting the elderly, or people with disabilities.⁽⁴⁾

These trends present new opportunities for local authorities to participate in civic crowdfunding through facilitating and protecting equality and inclusion. Local authorities should counteract the inherent bias in crowdfunding initiatives by supporting under-represented groups in their applications for public funding, assisting with capacity-building exercises and providing increased light-touch support throughout the process. Without local government presence in the crowdfunding process to monitor the diversity of project groups and their supporters, those from areas of deprivation or under-represented groups will see their opinions overruled, and civic crowdfunding risks becoming a funding infrastructure for the young, educated and wealthy.⁽⁷⁾

Reduction in traditional public service funding

A common criticism of civic crowdfunding is that it may lead to traditional funders withdrawing from funding services that should be paid for by the taxpayer; however, advocates of civic crowdfunding remain steadfast that it is no alternative for traditional financing structures used in urban area development; it is an addition.⁽¹⁸⁾ While there has been rapid growth in the different civic crowdfunding models, these are still very small scale and affect small amounts of public spending. Most projects funded through civic crowdfunding are far removed from the core of public service provision, and many crowdfunding models will struggle to attract the scale of funds required to finance larger urban area development projects due to their highly local nature limiting the size of the community that may get behind an idea.



In general, most crowdfunding projects do not build infrastructure such as bridges or roads, or fund city services such as waste disposal. They are small scale and aim to build community gardens on vacant plots of land or fund community events. ⁽¹⁸⁾

Civic crowdfunding should be seen as a way of 'widening the funnel' of funding. Decreasing public budgets are an unfortunate reality and core services cannot be compromised. These services will use up increasing proportions of an authority's budget, leaving little to fund community building activities and events. Civic crowdfunding can be used as a tool to finance small, citizen-led projects to build social resilience and rejuvenate urban areas.

Furthermore, civic crowdfunding can also be used to augment traditional funding. For example, if a local authority is responsible for the delivery of an area or project with a quality of '6', civic crowdfunding can be used to make this an '8' on a scale of 1 to 10. This method of adding a private element to a public good project generates public support and adds a sense of ownership to the funders. ⁽⁵⁾

EXAMPLE: Rotterdam Pedestrian Bridge

In 2011, citizens of Rotterdam wanting to reclaim their city from the ever-increasing number of cars asked the government to build a 350-metre wooden pedestrian bridge that would reconnect central Rotterdam to surrounding areas, as well as providing a promenade where citizens could gather. Officials told citizens that it would take 30 years to finance such a bridge.

This led the citizens to take financing the bridge into their own hands. Along with a group of local architects, they launched a crowdfunding campaign through which each sponsor paid at least 25 Euros to buy a plank of wood which would form part of the bridge. In return for this donation, sponsors could have a message inscribed on one of the bridge's planks. By the end of the campaign, 8,000 people had signed up to offer financial support.

Having used civic crowdfunding to expose the huge public support the project had within the community, the architects were later granted funding by the council to complete the project. ⁽³³⁾

This approach to infrastructure as both crowdfunded and flexible is very new and suggests that in the future citizens could play a much greater role in both choosing and funding city infrastructure, which could then adapt more readily to their changing needs.

While most of the points discussed above were made in relation to donation-based and reward-based models, many of them remain true when considering community-share and municipal-bond models as well. While these models can be used to finance large-scale infrastructure and service-improvement projects, they are still not alternatives to traditional financing methods. They are used in addition to the usual financing approaches to 'fill gaps' in budgets and fund large, discrete public projects that have been identified and put forward by the local authority or established community organisations. Investment is made in anticipation of receiving the investment amount back in full or making a financial profit.

Long-term implications of permanent projects—products v services

Crowdfunding is well suited to financing campaigns such as events, where one-off funding is required. Crowdfunding is also effective in funding projects such as community gardens, where there is a need for ongoing maintenance, but the effort required is provided by community volunteers. ⁽²⁰⁾

However, many public good projects, such as playgrounds, need to be maintained long after the crowdfunding initiative has finished and require a more formalised and regimented maintenance process. Public space management and ongoing maintenance costs are difficult to fund with crowdfunding. This becomes an issue for local authorities when approving permits for such projects, as these ongoing maintenance and management costs are likely to fall on their shoulders in the long term. ⁽⁴⁾

Local authorities should be mindful of this when considering which crowdfunding projects to approve; however, services should not be immediately rejected on the basis of their ongoing costs. Where possible, the authorities should require that project initiators have a plan for these costs. There are instances where crowdfunding has been used successfully to cover the ongoing costs of services. One approach taken by some crowdfunding projects is to use the initial crowdfunding efforts to develop revenue-generating schemes that will be able to cover the required ongoing costs. ⁽⁴⁾

Where this is not possible, both public and private institutional funders have stepped in to cover the required costs. On these occasions, it is important that the management of public spaces be receptive to civic initiatives that may bring long-term distributed benefits to the community, rather than focusing only on the ongoing costs. If the ratio is favourable, then the institution should consider taking on the maintenance and management costs. ⁽⁵⁾

Short-term focus and distraction from larger issues

Some critics have argued that civic crowdfunding leads to individuals and organisations placing too much of an emphasis on projects that have clear short-term gains, instead of those that create lasting social value and impact to communities. They argue that 'Crowdfunding moves government away from coherent efforts to solve public problems and towards treating them as fragmented matters subject to people's passing fancy.' ⁽²²⁾

This again speaks to the use of crowdfunding as one of several approaches to funding projects within the public realm. Traditional financing methods should be used to fund strategic, long-term programmes, while crowdfunding can be used to fund short, quick projects that have been generated in a bottom-up manner, or to test large project ideas before committing more substantial sums of public money.

Deliverability, accountability and quality of projects

As civic crowdfunding projects often reside in the public realm, the local authority has an invested interest in ensuring the deliverability, accountability and quality of projects. After all, if something goes wrong with the project, they are likely to be the ones held indirectly accountable, regardless of whether they initiated or funded the project. ⁽²³⁾

In terms of deliverability, several crowdfunding platforms now conduct due diligence checks across several parameters, including project costs and permissions required, to ensure projects are deliverable before crowdfunding efforts begin. In addition to checks conducted as part of a platform's service, if a local authority is planning on acting as a funder, delivery capacity should be assessed as part of the internal appraisal process before funding is pledged.

Once a crowdfunding project has been successfully funded, it needs to be delivered. Historically, there has been a lack of accountability for ensuring that this happens. Specifically, who decides when a project has been delivered successfully, to an acceptable standard and within appropriate timescales? In commercial crowdfunding, this is extremely difficult to enforce; however, in the civic world the local authority can step into this void and enforce quality and delivery timescales as part of its permit-granting responsibilities.

Despite these concerns, civic crowdfunding is continuing to move from strength to strength, with platforms reporting growing transaction volumes and website hits year-on-year. While the concerns discussed above remain, many of them can be allayed through the heightened involvement of local authorities. For example, it has already been mentioned that local authorities are best placed to counteract inherent bias within the crowdfunding approach and that authorities are well equipped to understand and discuss the long-term implications of a permanent installation in the public realm. Furthermore, authorities are also responsible for enforcing quality standards of projects based in public community spaces. It is, therefore, imperative that both citizens and the local authorities are aware of how they can help and improve the delivery of civic crowdfunding initiatives.



5.1 What is next for civic crowdfunding?

While civic crowdfunding within the UK is still in the early stages of adoption, the future is looking extremely promising. Already, authorities are beginning to see the approach as more than a way of generating additional funds, with leading authorities viewing civic crowdfunding as an integral addition to community engagement and participation strategies. Looking forward, there are opportunities for civic crowdfunding approaches to be used more widely within local authorities to generate ideas and distribute funds for local-area-improvement projects.

For example, there are opportunities to utilise civic crowdfunding to distribute funds collected through.

Section 106 agreements and other social value obligations more effectively. Section 106 planning obligations are legal agreements between local authorities and developers that are drafted when it is considered that a development will have significant impacts on the local area that cannot be moderated by means of conditions attached to a planning decision. Planning obligations aim to balance pressure created by new developments with improvements to the surrounding area, ensuring that where possible the development makes a positive contribution to the local area and community.⁽²⁴⁾

Civic crowdfunding has the potential to enable Section 106 obligations to be identified and distributed more democratically by allowing the community to put forward area-improvement ideas and to be involved in their delivery.

Furthermore, there are ongoing discussions around how civic crowdfunding can align with, and enable, wider institutional public engagement models, outside of the local-area-improvement project space.

Participatory budgeting, for example, could be facilitated by the tried and tested mechanisms of civic crowdfunding. Participatory budgeting can be described as 'directly involving local people in making decisions on the spending priorities for a defined public budget. This involves engaging residents and community groups representative of all parts of the community to discuss spending priorities, make spending proposals and vote on them.' Participatory budgeting has been seen to deliver the following benefits:

- Leads to different types of projects getting funded, breaking the 'status quo' in some areas.

- Improves the level and quality of information available to service providers, enabling them to meet local needs more effectively.
- Improves the confidence of individuals and organisations when tackling neighbourhood issues and in negotiating with public sector organisations.
- Brings together people from different backgrounds who might not normally meet, enabling them to pool knowledge, views and experience to tackle local issues.
- Encourages participants to get more involved in their communities, as shown by rising memberships in local organisations following participatory budgeting events.⁽²⁵⁾

There are strong synergies between the mechanisms and benefits delivered by participatory budgeting and civic crowdfunding. Civic crowdfunding is easier, faster and cheaper to implement in the short term, therefore, it has the potential to provide a good stepping stone on the road to participatory budgeting. Studies have found that participatory budgeting is most effective when used in conjunction with other community engagement processes. Civic crowdfunding can act as one of these engagement processes, along with more traditional consultation sessions and events.

Despite this promise, there are several developments that need to take place to make civic crowdfunding more widely applicable. One such development is the introduction of deliberation into the crowdfunding process, which is likely to improve its ability to finance larger-scale, longer-term projects. Currently, the crowdfunding process is binary; a project initiator proposes a project, and the crowd decides whether they want to fund it. There is little room for discussion or consensus building. However, if you are proposing a large, multi-year neighbourhood improvement project, there are lots of different options to consider and the proposal may be improved by incorporating the thoughts of different people with knowledge of different areas. In recognition of this, there is an expectation that in the future, deliberation will be incorporated into some crowdfunding platforms.⁽²⁶⁾

Regardless of these developments, adoption of civic crowdfunding among local authorities is expected to increase rapidly in coming years. While this adoption will start as experimental trials of the approach and assisting technologies, authorities are fast recognising the important role crowdfunding can play in the way they engage with communities. When integrated more widely across the breadth of council processes, there are opportunities for civic crowdfunding to become the de facto method of gathering ideas, assigning council resources and distributing funds for local-area-improvement projects in a more democratic and informed way.

6. Conclusion



This guidebook has aimed to provide local authorities with answers to the following questions

What is civic crowdfunding?

Why is it being adopted by local authorities?

How can local authorities get involved?

It is hoped that by equipping local authorities with this knowledge, adoption of civic crowdfunding approaches will increase, leading to stronger communities, more attractive neighbourhoods and a more democratic approach to community engagement and participation.

What is civic crowdfunding?

Civic crowdfunding is the application of traditional crowdfunding and crowdsourcing approaches to local-area-improvement projects or those aiming to deliver social benefits. The market is growing rapidly in the UK, with the donation-based, rewards-based and community-shares models all enjoying increasing volumes of transactions year-on-year. The only model yet to establish itself fully in the UK is the municipal-bond model, although this model has been used on one-off occasions. Having seen the benefits of a successful municipal-bond market in other countries, the UK Municipal Bond Agency has been set up to drive adoption.

In terms of where civic crowdfunding fits among more traditional institutional funding models, it is typically well placed to fund smaller-scale projects with a social purpose. Historically, it has been used to fund projects that are quite short term in duration, or those whose impacts can be realised quickly, as these seem to be more popular with the crowd. Examples of projects funded include events, community gardens and the restoration of public buildings.

Why is it being adopted by local authorities?

While market growth and adoption have historically been driven by the economic benefits civic crowdfunding can deliver, authorities are increasingly finding the numerous social benefits more valuable. Civic crowdfunding enables local authorities to access and leverage additional funds that can be directed towards local-area-improvement projects and empowers them to make smarter, more informed investment decisions. From a social perspective, the approach has been shown to strengthen community cohesion and resilience, build capacity and skills among the community and improve health and well-being among participants. Importantly for local authorities, the approach has also been used as a new method of community engagement.

How can local authorities get involved?

Because of their common civic duties and responsibilities, most authorities tend to follow a similar path to adopting civic crowdfunding approaches.

All authorities start their journey as a 'passive observer' of crowdfunding initiatives. At this stage, authorities are largely unaware of the civic crowdfunding domain, and how it can apply to them. Currently, approximately 90% of authorities across the UK are at this stage, demonstrating that there is a huge opportunity for market growth.

Once authorities have reached a heightened point of awareness, they typically progress to an 'active supporter' phase, in which they receive briefings from service providers and begin to engage with the community on the topic. By the end of this phase, authorities are beginning to build a low-key digital presence, which announces that the authority is active in this area.

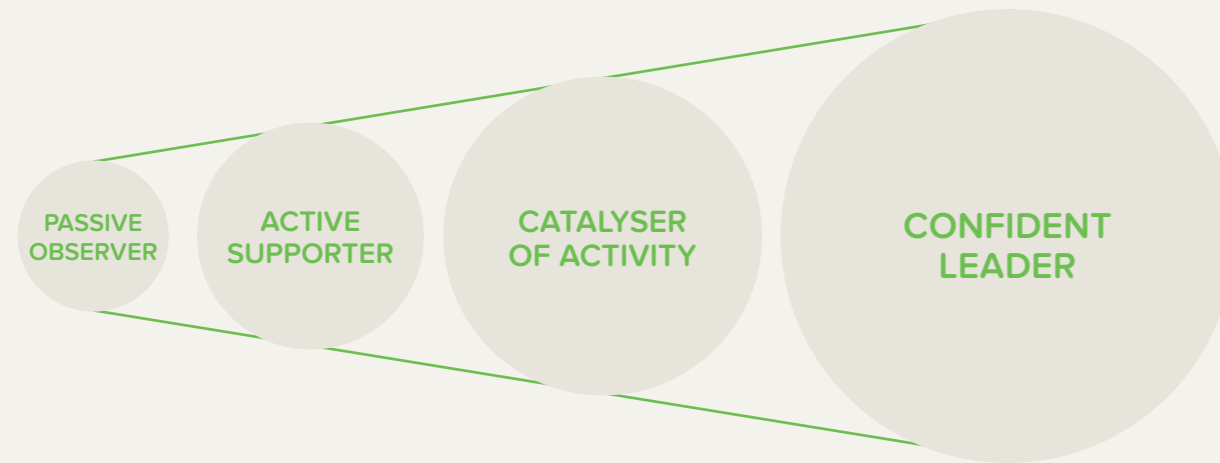
Once a digital presence has been established and the authority is growing in confidence, they enter the third phase of progress; a 'catalyser of activity'. Authorities quickly find that creating an online presence is not enough to encourage individuals and organisations to engage, they must work to catalyse activity. These activities can range from offering match funding to project creators, providing training, capacity building and support services and conducting marketing and PR activities. At the end of this stage, an authority will have created an active and engaged ecosystem surrounding their civic crowdfunding initiative.

The final stage reached is the 'confident leader'. At this stage, an authority's crowdfunding ecosystem is functioning well and is beginning to deliver expected benefits. To upscale the initiative further, officers within authorities often seek to get senior level buy-in and endorsement, and conduct evaluation exercises to quantify the value being delivered. Authorities at this stage are also in a position to mentor other authorities in how to set up an initiative.

The phase a local authority reaches, and the speed at which it is achieved, is largely dependent on the authority's appetite for risk and the level of commitment they can make, both monetarily and in terms of resource effort. In return for a heightened risk appetite and increased level of commitment, the resultant impacts are typically larger and are enjoyed more widely across the local area.

Circle scale

Increasing levels of risk,
commitment and impact



While civic crowdfunding is gaining popularity due to the extensive benefits it can deliver, several concerns have been raised.

First, there are concerns that certain groups may dominate crowdfunding movements, both in terms of initiating projects and funding them. This may result in a mismatch between funded projects and areas of societal need. It is here that a local authority can play a role to monitor the types of projects being proposed and funded, and to intervene to restore balance if required.

Second, concerns have been raised that additional funds raised through civic crowdfunding may lead to reductions in traditional institutional funding sources. In response to this point, proponents of civic crowdfunding are quick to point out that the types of projects funded through crowdfunding are typically very different from those at the core of public service provision. Therefore, funds raised through crowdfunding should be seen as additional to traditional funding sources, not a replacement.

Lastly, there are further concerns around controlling the quality of projects delivered through crowdfunding and the long-term implications of projects. However, local authorities can address these concerns through their internal permit approval processes.

In summary, civic crowdfunding as an approach to not only financing local-area-improvement projects but more importantly to engage better with citizens about such matters, which is only likely to increase over time. There are huge opportunities for local authorities to become involved to achieve numerous economic and social benefits. This involvement is flexible, depending on the authority's appetite for risk and level of commitment they are able to make. Looking to the future, crowdfunding has the potential to revolutionise community engagement processes, giving citizens a more participatory role in civic affairs. Over time, this approach is likely to move from a small-scale experimental exercise into a core method for community engagement across the council's portfolio of responsibility.



References

Contributors

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Guidebook

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