

Communities and Culture Committee

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Communities and Culture Committee: A Dormant Accounts Scheme for Wales

Report from: Welsh Assembly Government

Background and primary legislation

This paper updates the Committee on progress with establishing a Dormant Accounts Scheme for Wales.

The Dormant Bank and Building Society Accounts Act 2008 provides for a new scheme to enable money held in 'dormant' bank and building society accounts to be re-invested in local communities. Dormant accounts are defined as those on which there have been no customer initiated transactions for 15 years. The Act allows participating banks and building societies to extinguish their liability to a dormant account holder by transferring the account to a central (UK level) 'Reclaim Fund'.

The Act provides for separate schemes for distributing the funds to be established in each home country, in line with spending purposes set down in the Act (for England), and by Orders made by the devolved administrations (for Wales, Scotland and Northern Ireland). Apportioning the money falls to the Secretary of State, and HM Treasury has ruled that this will be on a per capita basis using the Barnett formula. The Act names the Big Lottery Fund as the distributor for each country.

Initial discussion of priorities for a Wales Scheme

The Welsh Assembly Government Cabinet first discussed the spending purposes for a Dormant Accounts Scheme for Wales in December 2007. At that time, it agreed that subject to consultation, the two main spending purposes should be:

(i) "Supporting young people to achieve their full potential working through the third and voluntary sectors to promote social inclusion", and

(ii) "Tackling climate change; and promoting wider sustainable development through focused community-based activity".

The Cabinet also suggested five 'policy aims', i.e. more detailed themes within each spending purpose', as a potential basis for the directions to Big Lottery Fund. These are listed at Annex 1.

The uses to which the dormant accounts money might be put were also discussed by this Committee, during its 'Inquiry into the funding of voluntary sector organisations in Wales'. The final report, issued in May 2008, included a recommendation (No.7) that the Welsh Assembly Government should "endorse and support the Community Foundation in Wales as an appropriate vehicle to steward, and maximise the value of, unclaimed assets and dormant and inactive funds from varied sources... to create endowment funds to provide a sustainable long-term, independent source of funding for the third sector...".

The Communities and Culture Committee also called on the Assembly Government, in establishing the Scheme, to "ensure that Wales receives an appropriate share (of the funds) and that a significant amount is directed towards the third sector" (recommendation 17).

The consultation and discussions with Big Lottery Fund

In April 2008, the Welsh Assembly Government commissioned Big Lottery Fund to run a public consultation on its behalf. The consultation ran from 8 August to 14 November 2008. The consultation invited people to submit their views on the proposed spending purposes, and also on the best methods for distributing these funds, i.e. grants, loans, endowments, or a mixture of distribution methods.

The responses to the consultation revealed general support for the proposed spending purposes. On 'support for young people', the learning and employment agenda was a priority for many, particularly early interventions and remedial activity for young 'NEETs'. For climate change there was clear support for community level interventions.

On distribution methods, grant funding was identified as a popular method, but over half of respondents favoured using a mixture of mechanisms. There was little desire to use loans. On whether the approach should be strategic or demand led, there was no clear preference. There was little support for using endowments as the sole distribution method, but some support for using them as part of a diverse distribution package.

Big Lottery Fund submitted its final consultation report in March 2009. A summary is at Annex 2. The full report is at <http://wales.gov.uk/topics/cultureandsport/lottery/biglottery/3141198/?lang=en>

I then consulted Big Lottery Fund for its own views. The Fund felt that five policy aims would be too many, and suggested a focus on NEETs, to assist young people having difficulty in engaging with education or employment. It also argued that one spending purpose would achieve most impact, but if two were retained, the climate change element should feature small grants for action at community level.

4. Progress since the consultation

Since the consultation, Big Lottery Fund's case for targeting fewer policy aims within support for young people' has been strengthened by new estimates of the amount of money likely to be available. HM Treasury still cannot give a precise figure, as account holders can reclaim their assets at any time, and because the Reclaim Fund is still being set up. However its current estimates for Wales are for £8-10 million initially, plus a trickle in future years from newly dormant accounts. This is significantly less than the original forecast of £15-20 million.

As 'support for young people' falls within her remit I also consulted the Minister for Children, Education, Lifelong Learning and Skills, who supports the case for a more targeted approach.

5. Spending Purposes: (i) supporting children and young people

For 'Supporting young people...' the proposal is to focus on assisting young people who are NEET, to complement our NEETs Plan, published in April this year. This will be the only public sector funding stream specifically targeted at young NEETs. There will be scope to encourage projects which also contribute to related strategies, e.g. child poverty, youth offending, Extending Entitlement, and 14-19 Learning Pathways.

The consultation, and discussions with Big Lottery Fund also indicated a need for 'early intervention' projects, aimed at children at risk of becoming NEET. To allow this, the Welsh Assembly Government now proposes to revise this spending purpose to: "Supporting children and young people to achieve their full potential working through the third and voluntary sectors to promote social inclusion".

6. Spending Purposes: (ii) tackling climate change

For the climate change element, it is proposed to retain the original wording for the 'spending purpose': "Tackling climate change; and promoting wider sustainable development through focused community-based activity".

The proposal is to focus on small scale interventions to empower people and communities to play their part in supporting our Climate Change Strategy. The programme will help generate the small successes which community groups can build on, and incentivise more people to take action. The funding will complement the larger initiatives to be funded under Big Lottery Fund's own lottery funded Climate Change programme, which will not begin until April 2011 at the earliest. The Fund indicates it will allocate £12-15 million to that programme, over a 3 - 4 year period.

Apportionment of funds between the 2 spending purposes

Having secured the agreement of the relevant Ministers, and subject to the National Assembly approving the draft legislation, I intend to instruct the Big Lottery Fund to direct up to 80% of the money to 'supporting children and young people', and the remainder to 'tackling climate change'.

This ratio can be reviewed, for example if there is much higher or lower demand than expected for either purpose. The proposal to direct a smaller share to tackling climate change reflects (i) evidence that existing community climate change projects often require relatively small sums, and (ii) the forthcoming emphasis on climate change in the Fund's main programmes, as detailed above.

8. Approval of Secondary Legislation

Following agreement of the two spending purposes, the next stage will be to bring forward an Order under Section 19 of the Act (Annex 3) 'to restrict the purposes and eligible recipients' of the funding. This must be approved by the National Assembly.

The Order is currently being drafted but will be limited to specifying the spending purposes and to defining the terms (e.g. 'young people' and 'climate change'). I am hopeful that the draft Order can be considered by the Subordinate Legislation Committee during the early part of 2010, and for the draft order to be debated in plenary during April or May.

9. Policy directions

After the Order is made, the next stage in implementing the Scheme will be for me to issue 'Policy Directions' to Big Lottery Fund, under Section 22 of the Act (also at Annex 3). The Directions allow Ministers to specify in more detail how the spending purposes should be interpreted. Draft Directions have been developed after consultation with the Big Lottery Fund, and a copy of these is at Annex 4. On receipt of these directions, the Fund will begin its detailed work on preparing the Scheme. This is expected to take six months. Ministers will be able to issue further policy directions in future if additional money becomes available, or if priorities change.

10. Timetable for launching the Scheme

The current timetable is at Annex 5. Subject to the secondary legislation, Big Lottery Fund could be able to invite applications from September 2010. Potentially, the first grants could be made in late 2010. However these dates may have to be put back if delays in setting up the Reclaim Fund continue; to date no financial institution has been appointed. The British Banking Association and the Building Societies Association are continuing their efforts to identify a suitable organisation.

Schemes in other parts of the UK

As indicated above, there will be separate distribution schemes in England, Scotland and Northern Ireland. A note summarising the

progress of these schemes to date is at Annex 6.

12. Financial implications

The Scheme will make a substantial amount of new funding available to the Third Sector in Wales. There are no direct financial implications for the Welsh Assembly Government arising from the Scheme, i.e. there will be no additional administrative costs for the Assembly Government other than those involved in monitoring the Scheme. The Act allows Big Lottery Fund to meet its own administrative costs in running the Scheme out of the total funds made available.

13. Conclusion

This paper shows the progress that has been made towards establishing a Dormant Accounts Scheme for Wales. The Committee is invited to note the proposed spending purposes for the Dormant Accounts Scheme for Wales, and the ongoing timetable for implementing the Scheme.

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