



The Big Society Bank

This mini-briefing paper has produced by the Urban Forum

Background

Prime Minister David Cameron announced the establishment of a Big Society Bank on 19 July 2010, as a key component of the Big Society programme.

The Big Society Bank is not a new concept, and is in fact based on an initiative officially announced in the Labour government's budget in March of this year. Labour's Social Investment Wholesale Bank (SIWB) proposed using a 'fund of funds' structure, meaning that £75 million from dormant bank accounts would be invested by the government into a fund which could then invest in other social investment funds as well as attempt to attract investment from the private sector.

The SIWB was conceived as a way to increase financial inclusion and encourage social investment by linking up private investors with community organisations in order to promote long-term sustainability of the voluntary and community sector.

While the establishment of this bank was welcomed by many in the sector, the promise of only £75 million from dormant bank accounts was criticised as not being sufficient, especially considering the small fraction that represented of the funds in dormant bank accounts.

The idea of the establishment of this bank was made possible by the Dormant Bank Accounts Act of 2008, which legislated that funds that have been untouched in UK bank accounts for 15 years can be used for 'social or environmental purposes', such as youth facilities, literacy projects and a social investment bank.

What is the Big Society Bank?

The Big Society Bank will ensure money from dormant bank accounts can be made available as funding for social reinvestment, and will also attract funding through private investment. The Big Society Bank is intended to provide crucially needed funding to community organisations, which the government has recognised as key in promoting social change and community resilience.

Like the SIWB, the Big Society Bank will work as a wholesale organisation, investing in intermediaries (such as social investors and community lenders) who will then provide funding access to voluntary and community organisations with the broad objective of benefiting society.

The actual amount of money that will be made available through the Big Society Bank is yet to be determined. While an estimated £400 million is currently sitting in dormant bank accounts, it appears that only about £60 million will be immediately accessible for investment into the community sector, due to the technicalities of accessing dormant bank account funds.

When?

The government announced the intention to launch the Bank by April 2011, but this is subject to the creation of a Reclaim Fund by the end of the year, which is required by the Dormant Bank Accounts Act. The Reclaim Fund will be managed by Co-operative Financial Services under the Financial Services Authority and ensures the protection of the rights of bank account holders before dormant bank account funds are transferred to the Big Society Bank.

How will it work?

Questions still remain about how the Big Society Bank will operate in practice, its structure and the actual ownership of its funds.

To explore these issues and inform the development of the Big Society Bank, NESTA (National Endowment for Science, Technology and the Arts) will be launching the Big Society Finance Fund. This will 'provide funding to design and trial effective proposals for new financial services that could be implemented in the Big Society Bank itself' ahead of the April 2011 target launch date. The research and piloting of this project will test some of the activities that the Big Society Bank could undertake in the social finance market.

For more information on Big Society or Big Society Bank, contact CAVOS on 01388 811115 or visit the Big Society Network website at www.thebigsociety.co.uk