

# A6 THE ROYAL DEVON AND EXETER NHS FOUNDATION TRUST



**Royal Devon and Exeter**  
NHS Foundation Trust

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## A6 THE ROYAL DEVON AND EXETER NHS FOUNDATION TRUST CROWDFUNDING FOR A NEW 'CARE VILLAGE' DEVELOPMENT (RESIDENTIAL ACCOMMODATION FOR ELDERLY AND DEMENTIA CARE)

“There isn’t a shortage of ideas for transforming public services [...] what there is a shortage of is access to funding and access to the resources that help deliver those schemes. Those last two things are obviously incredibly critical to transform some of our public services. So, if we have an innovation agenda, we’ve got to get those two things right. And I think what this project is doing is trying to address an extra stream of income funding that would help with these projects and that’s why this is important.”

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### CONTEXT

**A6.01** The Royal Devon and Exeter NHS Foundation Trust is seeking to provide better quality care for patients with suspected dementia, including the development of elderly care residential accommodation that may take the form of a care village/dementia care home.

**A6.02** There are a range of commercial options available for funding the development and ongoing delivery of the project, but the Trust has very limited capital finance of its own and would require any financing secured for the accommodation not to score against Capital Department Expenditure Limits (CDEL)<sup>134</sup>.

**A6.03** A wide range of financing and commercial delivery options were explored at the strategic outline case stage and feasible options will be further explored in the outline business case in order to determine the optimal funding solution.

**A6.04** Financing and delivery options include:

- Leasing: Operating leases, service inclusive leases, sale and leaseback arrangements and Income Strip leasing;
- PPP project finance;
- Financing from the community based Exeter Infrastructure Fund;
- Joint Venture Partnership with the private sector, with the land being the Trust’s equity consideration.

### AIMS AND OBJECTIVES

**A6.05** The inclusion of a tranche of crowdfunding could bring a range of benefits to the Royal Devon and Exeter Trust, the residents of the facility and the local community, in addition to garnering local interest in a way that would not be possible via traditional funding.

**A6.06** This local ‘financial interest’ could then bring further benefits by way of:

- aiding the planning process through including citizens in the development phase;
- enhancing the marketing of potential new services to local residents; and
- increasing local awareness and engagement with/responsiveness to the needs of the community in order to build a closer relationship with the Trust.

<sup>134</sup> <https://obr.uk/forecasts-in-depth/tax-by-tax-spend-by-spend/departmental-expenditure-limits/>



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“Access to funding is one of our important resources or enablers to allow that change to happen. The public purse is challenged and constrained from a capital investment perspective, so the Department of Health has got limits on funding. So we’re starting to look at ‘public private partnership’ arrangements and I think where crowdfunding comes in is that it fits in with that sort of funding stream [...] but there’s also a real community engagement aspect to it. It could well be that, with a local community feel, it’s so compelling to them they’re interested in putting their own investment into the project. That’s what we want to test.”

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## PERCEPTIONS AND PRACTICALITIES OF CROWDFUNDING

**A6.07** The Trust had limited knowledge or practical experience of crowdfunding before working with the Leeds-based research team. Perceptions mirrored those of the general public perception in regarding crowdfunding to involve the making of donations towards a specific project, with the expectation of a tangible, but non-financial, reward.

**A6.08** Likewise, local people may share a perception of crowdfunding as involving communities pulling together to fund a local group or service. Some residents may have a broader experience of crowdfunding for local small and medium-sized enterprises (SMEs) that are looking for start-up capital, perhaps promoted by a friend, a relative, or via wider social connections (either materially or through social media connections).

“I can’t see why we would want to necessarily restrict based on geography. In the sense that, you know, if the most important thing is to get to the target level of investment, then why would you say to people who live beyond the boundary that they can’t invest? It doesn’t really make sense. I think it’ll be more of a natural boundary that’s established because I think there’s an argument to say that if you live far away, then why would you invest unless you saw this as a great investment?”

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**A6.09** The research facilitated by the University of Leeds’s *Financing for Society* project included an assessment of financing options provided by three crowdfunding platforms, namely Abundance Investment, Capital Stackers<sup>135</sup> and Triodos<sup>136</sup>.

**A6.10** This work established that there is an appetite for platforms to assist the Royal Devon and Exeter Trust with:

- Providing junior or senior debt for projects;
- Funding the construction period or operational term period costs;
- Potentially lending into a PPP structure;
- Taking part in funding competitions to show value for money;

<sup>135</sup> <https://www.capitalstackers.com>

<sup>136</sup> <https://www.triodos-im.com>

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- Accommodating public sector investment approval needs to accommodate this; and,
- Securing access to investors that have an appetite to invest their money.

## BARRIERS AND CHALLENGES

**A6.11** The most obvious and principal barrier is that crowdfunding has not previously been used for an NHS project.

**A6.12** Convincing relevant internal and external approval bodies that crowdfunding is secure, deliverable and represents value for money is the main challenge from a public sector perspective, as identified through the research.

“How do we get that engagement internally and get people to see this as a real benefit? I think the answer is that we demonstrate that it kind of worked for our project and therefore is a real, genuine, and non-hypothetical option. That it’s been tested in an environment that, okay, is a little bit static because it’s just one project, but that could still demonstrate that it works or doesn’t work. I suppose even if it doesn’t work, you recognize that sometimes you might get to ‘prototype 55’ before it works, and that the first few didn’t work because there were things that we had to learn from the process. I’m quite happy that we explain that, you know, you’re not going to get there first time. If you close every innovation because the first prototype didn’t work, then you’d never get anywhere.”

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**A6.13** Given this degree of caution and sensitivity to engaging in activities that could prove unsuccessful, and therefore garner criticism and risk reputational damage, the research began to focus on deliverability as understood from a financial perspective.

**A6.14** Crowdfunding platforms may need to offer greater flexibility with regards to price competitiveness and deliverability, in terms of local take-up and the ability of platforms to raise the full amount required for large infrastructure projects.

**A6.15** Managing public perception is crucial here. Marketing and communications strategies to raise awareness amongst new types of investors need to ensure that a wide section of the community is reached in order to realise the social benefit envisaged by crowdfunding platforms. This must include people who don’t currently understand much about the crowdfunding market beyond gifting to donation-based models.

**A6.16** In this way, projects will be better able to access a regular supply of savings and investments that would otherwise leave the local community if handed over to mainstream financial institutions.

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“But the market needs to expand into the ‘non-early adopter’ groups, to people who don’t understand much about this market. That way you get at the supply of savings that can be used for investment. Unless you break into that group, then I think it stays as a unique specialist area that has a small number of platforms and is only really sourcing its supply of money from those early adopters.”

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## MAIN FINDINGS

**A6.17** Those seeking support for new forms of finance such as crowdfunding will need to quantify the community and economic benefits of a given project to demonstrate the added value of using this approach.

**A6.18** This will help to offset what appears at present to be a deliverability issue of some crowdfunding solutions and the potential higher cost of capital than traditional mechanisms of public sector borrowing.

**A6.19** Striking an attractive balance between deliverability, community benefit and economic feasibility would seem to be crucial in any assessment of the suitability of crowdfunding to provide a successful outcome for public investment.

**A6.20** The research undertaken with the University of Leeds has shown that there would be interest from within the crowdfunding sector for the Care Village project, either by providing the full 100% of the funding required, or by taking a ‘junior’ financing role to raise only a percentage of the total funding requirement.

**A6.21** If successfully applied, crowdfunding would have the additional benefit of bringing increased local interest into the project that could aid planning processes, provide a good source of marketing, and also increase local awareness of new, transformed or purely re-located public services.

**A6.22** Awareness at all levels will be key to any future success of crowdfunding an NHS project. If platforms are to be considered as a viable additional source of funding, then the various funding options available from the many crowdfunding platforms need to be more widely understood by UK public sector bodies.

**A6.23** Similarly, crowdfunding platforms also need to show that they fully understand the complexities of delivering public sector projects. The research undertaken by the University of Leeds is therefore a significant first step in this process.

## LOOKING AHEAD AND NEXT STEPS

**A6.24** The Outline Business Case for the elderly ‘Care Village’ is progressing within the Trust and is at the stage of finalising the clinical model of care.

**A6.25** Once this is complete, the research findings will be used as a core part of the wider evidence base for developing the commercial case for different funding possibilities.

**A6.26** At the time of submitting our case study report to Leeds, the Trust considers crowdfunding to be a viable component for the funding of the scheme, but we are unsure based on the research whether or not the full funding of the scheme could come from a single crowdfunding investment, or if there would need to be a consortium arrangement.

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## RECOMMENDATIONS

“The problem with building public services based on people who have money, and who want to invest in those specific types of projects, is that the choices that are made around those public services tend to be dominated by those who invest. If you look at philanthropy, for instance, there is an argument to say that if you want to be a great philanthropist then just pay more tax! Society will decide what the best use of those funds are, rather than you deciding on what you think you like. So if this is all about vanity projects for wealthy people then you’ve got to be careful with that sort of philanthropy approach. I think it plays back to that point which is that certain basic public services are just going to have to come through taxes.”

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**A6.27** The Royal Devon and Exeter Trust felt that it was for national policymakers to decide if there is real economic merit in using crowdfunding for public sector projects, as opposed to existing forms of financing.

**A6.28** If so, then Government should signal this by providing clear answers to the following questions:

- In what sectors, and from what projects, would it be best suited?
- Would investment be limited to certain schemes and at certain values?
- A combined reaction from all stakeholders being required, how would this include increased stakeholder and market engagement?

**A6.29** Many public sector approval bodies are not yet aware of the depth of crowdfunding platforms in the market and what they might be able to offer.

**A6.30** In order to address the challenge of developing a better mutual understanding between crowdfunding platforms and public sector projects, a dedicated programme of awareness raising and the development of guidance materials should follow for local bodies to use.

**A6.31** This should include a crowdfunding toolkit with a reference guide available from a newly created central repository of information and opportunities for knowledge exchange. The Trust concluded that this measure would be really important and is currently the biggest barrier to crowdfunding public sector projects.

**A6.32** A knowledge exchange programme also needs to be rolled out so that people can understand how the market works, who the key players are, and how the specific finance options work.

“You should avoid anything that keeps this fragmented, or specialist, anything that requires specialist knowledge to access it. It needs to be rolled out in a way that people can understand who the market players are and how the finance piece works. So I think that’s the central role. And you could imagine a Government department taking responsibility for this and, you know, the Government having some form of website that allows you to access the right advice, just giving you the information. That would be really important!”

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**A6.33** It could be that a Government department and/or the team at the University of Leeds takes responsibility for this, either singly or jointly, to build some form of website that allows public sector bodies to access key information and signalling where to find the right advice.

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