

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Seventh Delegated Legislation Committee

DRAFT DORMANT ASSETS (DISTRIBUTION OF
MONEY) (ENGLAND) ORDER 2023

Wednesday 15 November 2023

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor’s Room, House of Commons,

not later than

Sunday 19 November 2023

© Parliamentary Copyright House of Commons 2023

This publication may be reproduced under the terms of the Open Parliament licence, which is published at www.parliament.uk/site-information/copyright/.

The Committee consisted of the following Members:

Chair: MR VIRENDRA SHARMA

- | | |
|---|---|
| † Andrew, Stuart (<i>Parliamentary Under-Secretary of State for Culture, Media and Sport</i>) | † Offord, Dr Matthew (<i>Hendon</i>) (Con) |
| † Baynes, Simon (<i>Clwyd South</i>) (Con) | Osamor, Kate (<i>Edmonton</i>) (Lab/Co-op) |
| † Brereton, Jack (<i>Stoke-on-Trent South</i>) (Con) | † Sobel, Alex (<i>Leeds North West</i>) (Lab/Co-op) |
| † Fletcher, Nick (<i>Don Valley</i>) (Con) | † Tolhurst, Kelly (<i>Rochester and Strood</i>) (Con) |
| Foy, Mary Kelly (<i>City of Durham</i>) (Lab) | † Western, Andrew (<i>Stretford and Urmston</i>) (Lab) |
| † Grayling, Chris (<i>Epsom and Ewell</i>) (Con) | † Wood, Mike (<i>Lord Commissioner of His Majesty's Treasury</i>) |
| † Greenwood, Lilian (<i>Nottingham South</i>) (Lab) | † Wright, Sir Jeremy (<i>Kenilworth and Southam</i>) (Con) |
| † Jayawardena, Mr Ranil (<i>North East Hampshire</i>) (Con) | Aaron Kulakiewicz, <i>Committee Clerk</i> |
| † Lavery, Ian (<i>Wansbeck</i>) (Lab) | |
| McDonnell, John (<i>Hayes and Harlington</i>) (Lab) | † attended the Committee |

Seventh Delegated Legislation Committee

Wednesday 15 November 2023

[MR VIRENDRA SHARMA *in the Chair*]

Draft Dormant Assets (Distribution of Money) (England) Order 2023

2.30 pm

The Parliamentary Under-Secretary of State for Culture, Media and Sport (Stuart Andrew): I beg to move,

That the Committee has considered the draft Dormant Assets (Distribution of Money) (England) Order 2023.

It is a pleasure to open the debate under your chairmanship, Mr Sharma.

The dormant assets scheme is a world-leading example of how powerful and impactful partnerships between the public, private and civil society sectors can be. Money that was previously lying unused and forgotten is unlocked by the scheme for good causes, while consumers are protected and always able to claim back what they are owed.

Led by the financial services industry and backed by Government, the dormant assets scheme is underpinned by the voluntary participation of financial services firms. I put on the record my thanks to those responsible businesses, and in particular I express a warm welcome to Aviva and Legal & General as the first participants from the insurance and pensions sector. They are blazing a trail for others to follow, and I encourage all eligible firms to consider following in their footsteps.

In a little more than a decade, the dormant assets scheme has unlocked almost £1 billion to be spent across the United Kingdom. In England, that has helped scale up the social investment market tenfold: 5,000 organisations such as charities and social enterprises have the investment that they need to keep serving the communities and people who need it most.

Dormant assets have also enabled 22,000 young people from deprived and disadvantaged communities to find meaningful work. The scheme has supported the building of the world's first youth employment toolkit, making clear the measures and interventions that really work to get young people into good jobs. It has supported financially excluded people with access to affordable credit. That has helped thousands of people when they really need it—people such as single mothers who needed to cover up-front nursery fees so that they could start a new job, or families living in appliance poverty who needed to afford a washing machine and basic furniture. Only last year, in my constituency, dormant assets funding provided 91 responsible and affordable loans worth more than £46,000 to financially vulnerable people.

Soon, the dormant assets scheme in England will be about putting decision-making power into the hands of communities to spend funding on what matters to them, in a way that works best for their area, through community wealth funds. Last year, thanks to the passage of the Dormant Assets Act 2022, the Government were able to give people and the scheme participants a say in how

the English portion of the funding should be used. With more than 3,300 responses to the consultation, it is clear that the scheme enjoys significant public support.

The draft order makes good on the Government's commitment that the scheme should support the four causes that people told us mean the most to them: youth, financial inclusion and education, social investment wholesalers, and community wealth funds. With those four causes, we can continue to make meaningful, long-term change across the country and provide support to those who need it most. I therefore commend the order to the Committee.

2.33 pm

Lilian Greenwood (Nottingham South) (Lab): It is a pleasure to serve under your chairmanship, Mr Sharma. This is my first time shadowing the Minister on behalf of the official Opposition, and I am glad that it gives me the opportunity to welcome the draft order, which enables community wealth funds to be added to the good causes named as beneficiaries of the dormant assets scheme in England.

As hon. Members know, the previous Labour Government introduced the Dormant Bank and Building Society Accounts Act 2008 and created the dormant assets scheme, a success of which we can be proud. The scheme enables funds from dormant bank and building society accounts to be made available to good causes, with English expenditure ringfenced, as the Minister said, to support initiatives focused on youth, financial inclusion and education, and social investment wholesalers. Since the 2008 Act came into force, more than £771 million has been allocated to those three causes in England.

It is important to recognise the four organisations that have distributed these funds and contributed to the scheme's success: the Youth Futures Foundation, Fair4All Finance, Big Society Capital and Access, the Foundation for Social Investment. Between them, they have funded vital services, supporting young people and helping to break the barriers they face in accessing opportunities. They have offered practical help and support to people facing debt and financial exclusion—people who might otherwise have been forced to resort to loan sharks, other exploitative arrangements, or indeed gone without essential household items, such as the washing machines and similar items that the Minister referred to. Their work has included providing thousands of interest-free loans and, as has been said, they have supported the expansion of the social investment market tenfold to support a multitude of charities and social enterprises working in and with communities across the country, and so they are making a difference to the lives of people most in need. We want these organisations to be able to continue to carry out their important work at a time when we know the cost of living crisis is creating huge challenges both for our constituents and, indeed, for charities themselves. These sources of help and support are needed more than ever.

Last year, following on from the work of the independent Dormant Assets Commission, the Dormant Assets Act 2022 was passed with cross-party support, extending the scope of the original scheme to unlock additional assets and so provide further funding for good causes. Although the Government did not at that stage agree to add community wealth funds to the list of good causes

that could be funded, it is really welcome that they listened to the strong arguments made for their inclusion and subsequently held a consultation. I am really pleased that, as the Minister said, the consultation received more than 3,300 responses and was supported by 71% of respondents. It is clear that there is very strong support for the use of dormant assets to support these funds targeted at communities that have low levels of civil society infrastructure and are in high need.

However, while we welcome the expansion of dormant assets and today's order that enables these new funds to be distributed to a wider range of good causes, there are still a number of questions that I would like to raise with the Minister. We are, of course, conscious that dormant assets are not Government money; they can be reclaimed and it is therefore right and necessary that reserves are held to meet such reclaims. There remains a question about whether the level of funds held in reserve is the right one. What assurances can the Minister provide that the proportion of funds being held back is correct? How is this arrived at? How and when will it be subject to review?

I would also like to ask the Minister to clarify what work the Government are doing to broaden the scope of assets included in the scheme even further. The independent commission had recommended including unclaimed pension pots, but the Government have not done so. Please will he explain that decision? Are there other categories of assets that could be considered in the future? I have heard the suggestion that unclaimed balances on Oyster cards could be a potential source, and no doubt there are others. Could the Minister perhaps say a little on that?

The second set of questions I want to raise relate to the Government's technical consultation on the design of community wealth funds and how it was undertaken. The first issue I would like to ask the Minister to address is the targeting of the funding. As he will know, the original conception of the community wealth funds was to provide long-term support and funding to invest in social infrastructure, focused on improving outcomes in left-behind neighbourhoods. That drew on the work done by Local Trust and others. That work used a community needs index to identify those areas with a lack of social or community infrastructure, and cross-referenced them with those areas facing high levels of deprivation, which were identified via the index of multiple deprivation.

That research identified 225 wards that were concentrated in housing estates most often on the periphery of towns and cities. However, in the technical consultation, the Government made clear their intention to use the community wealth fund to target communities in small towns of 20,000 residents or fewer. Local Trust has estimated that only 17 of the 225 left-behind neighbourhoods are in such small towns. Does the Minister accept that this risks the funds failing to meet the very places that most need this investment and that most stand to benefit from it? Is there not a danger that this change in focus will fail to provide accurate evidence on the effectiveness of the community wealth fund model, and that it may not provide the best value for money, and thus potentially undermine a second round of funding, or other further rounds?

Community wealth funds have the potential to boost and empower left-behind communities by giving them the resources to invest in the facilities and services that would have the most benefit locally and improve the lives of people who live there. The decision to target only small towns could mean that those left behind will stay there. The Minister knows that there is a perception that Government funding is too often allocated according to political considerations rather than on the basis of those places in greatest need. Does he understand the concern that this change in targeting has prompted? Can he tell me how the Government plan to target the left-behind neighbourhoods when many of them will not qualify for community wealth funds?

Finally, the Government had originally promised that there would be a three-month consultation period on the technical consultation. Given the significant changes between the version of the community wealth fund as originally conceived and the version in the technical consultation, surely providing adequate time for responses was particularly important, yet the Government allowed only four weeks. Can the Minister explain why the consultation period was cut short, and does he not share the concern that this may have impacted on the quantity and the quality of responses?

This order brings in welcome changes, but I hope the Minister agrees that it is important to maintain confidence and cross-party support for the dormant assets scheme.

2.42 pm

Jack Breerton (Stoke-on-Trent South) (Con): I promise not to detain the Committee too long, but I want to make a couple of points. I would first like to thank the Minister for all the work he has done. He has engaged very thoroughly with Members—I am vice-chair of the all-party parliamentary group for “left behind” neighbourhoods, and he has engaged very much with members of the APPG on development of a community wealth fund.

I also thank the Local Trust and the Community Wealth Fund Alliance for the work they have done to develop proposals around a community wealth fund, which is extremely important for communities identified as left behind. A number of those are in my constituency and others up and down the country. I also want to mention the point on targeting mentioned by the Opposition spokesperson, the hon. Member for Nottingham South. While we obviously need to focus on smaller towns, it is important that we do not exclude the most deprived 10% of communities in the entire country. We need to make sure that they are included as well and that the definition is not too narrow. I hope the Minister will reflect on that and will ensure that, in developing the proposal and the scheme for the community wealth fund, communities like Blurton, Meir and Newstead in my constituency will continue to be eligible for the community wealth fund.

Mr Ranil Jayawardena (North East Hampshire) (Con): Does my hon. Friend agree that even in affluent communities there are pockets of deprivation that need support across this country? Some of the worst affected places that are lacking in means are in those affluent communities.

Jack Brereton: My right hon. Friend makes a very important point. The original definition set out a population size of around 10,000 in order to identify those wards with the highest levels of deprivation. The deprivation in some wards in the most affluent parts of the country is such that they need this funding and that support. It is really important to focus more on areas with the highest deprivation.

Yes, we need to support smaller towns, including Longton and Fenton in my constituency, but we also need to make sure that the smaller, most deprived communities—the top 10% identified as the most left-behind wards in the entire country—do not miss out on this funding. I hope that the Minister will reflect on that, and I am sure he will agree that it is important that we focus this funding into those areas where it is going to have the greatest impact and where it is needed most.

2.45 pm

Stuart Andrew: It is a pleasure to conclude this debate. I am grateful for the contributions we have had. It was remiss of me right at the beginning not to welcome the hon. Member for Nottingham South to her position. I notice that she said she was glad to offer her support, and I look forward to that being the continual theme in everything that we do from here on in. I also pay tribute to those four organisations that she mentioned. They have worked incredibly hard to distribute the funding so far, and I want to put on record my thanks to them.

The hon. Lady raised a number of points. First, we have been looking at the ratio at which the reserving is monitored. The organisation is regulated by the Financial Conduct Authority and is therefore required to hold sufficient funds to support base reclaims, additional funds for stress events, and funds to operate the business over the lifetime of the balances. The Reclaim Fund Ltd board remains comfortable that the 40% rate is appropriate, given its legal obligations to customers. Obviously, we

will ensure we are constantly reviewing that. On that reviewing of the reserving ratio, it is continually looking at the Financial Conduct Authority guidance to ensure it is meeting its obligations.

On the scheme expansion, the hon. Lady is absolutely right to mention the opportunities that exist. Many of the dormant assets that are now transferring to the scheme will include things such as insurance and pensions, investment and wealth management, and security sectors. Section 19 of the Dormant Assets Act 2022 provides a way to bring additional assets classes into scope at a later date. Further work, however, needs to be done to identify these assets and to facilitate their inclusion. I share the hon. Lady's ambition that we expand this fund as much as we can, so that we can maximise the opportunities.

I hear the points that have been made, and I thank my hon. Friend the Member for Stoke-on-Trent South for his questions, too, and particularly for his thanks to the Local Trust and the Community Wealth Fund Alliance, which have been very good at articulating the opportunities. We want this to be targeted, and we want it to be working to support those deprived small towns of fewer than 20,000 residents experiencing a high level of deprivation or low social capital. But that is part of the consultation. Today, we are purely adding in a fourth cause, but I absolutely recognise the need to look through the results of that consultation. We really want to reach communities that need investment in social infrastructure, and many points have been made about the need to ensure that they are able to stand on their own two feet. That is equally important. I cannot pre-empt that at this stage, but I can assure my hon. Friend and the hon. Member for Nottingham South that I have heard their points.

Question put and agreed to.

2.48 pm

Committee rose.

