

A LOCAL AUTHORITY GUIDE TO

Building Resources For Local Community Groups

Through utilising inactive Charitable Trusts



“I am hugely supportive of the work to release underused funds in local authority trusts. The funds released can help to strengthen local groups and initiatives, and provide communities with significant resources to support their life-changing work across the country for many years to come”

Tracey Crouch

Minister for Sport and Civil Society DCMS

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“The Charity Commission is pleased to support this guide which will help thousands of inactive trusts managed by local authorities, reactivate their assets and put them back to work supporting local communities”.

David Holdsworth, Registrar of Charities for England and Wales.

Cumbria: Heron Corn Mill

Introduction

About Building Resources for Local Community Groups

This guide outlines a simple service that could see hundreds of millions of inactive charitable funds reactivated to support communities like your own. It has been developed by UK Community Foundations in partnership with the Charity Commission, and is supported by the Department for Digital Culture Media and Sport, the Local Government Association, the Chartered Institute of Public Finance and Accountancy and CCLA.

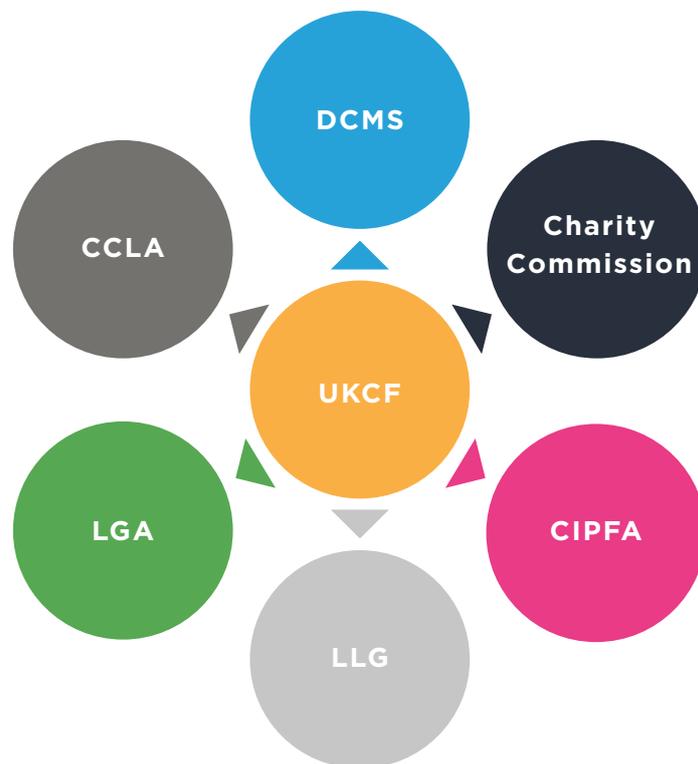
WHY SHOULD LOCAL AUTHORITIES CONSIDER THIS INITIATIVE?

The Charity Commission and UK Community Foundations have worked closely in recent years to ensure that trustees seeking to reactivate inactive trust funds (and who are looking for an effective way of carrying on their good work in future years) can release their funds to a Community Foundation as part of their appraisal of options.

The Charity Commission welcomes and supports this initiative and encourages all charities, and Councils managing charities, to ask themselves whether they should work with their local Community Foundation as an alternative to continuing, particularly if they can answer yes to one or more of the following questions:

We find it difficult to identify beneficiaries

- We cannot spend the income of the charity
- We find ourselves providing money to the same people or groups every year
- We find it difficult to attract trustees
- We would like to be involved in how the money is spent but we do not want the legal responsibility of being a trustee
- We find that the work of administering the charity and its investments is becoming onerous or disproportionate to the level of funding
- We wish we knew more about local issues and opportunities and who else was funding what?



WHO IS THIS GUIDE FOR?

This guide has been developed to provide Local Authorities in England and Wales with an understanding of the inactive assets that they may be currently managing, and support them in the process of reactivating these assets so that money can be revitalised and put back into the local community.

The guide illustrates how your Local Authority can build resources for your local community groups and how working with Community Foundations can help to release and activate the spending power of inactive charitable trusts. It provides practical steps and advice for achieving this.

WHY IS IT IMPORTANT TO REACTIVATE TRUSTS?

Over time, the Objects of many charitable trusts have become dated – the original founders and trustees have passed away and the value of their assets has declined with inflation or, in some cases, poor investments.

Many are now relatively small pots of money making it more difficult to continue to ensure they have a meaningful and local impact.

Many charitable trusts such as these ended up being managed by their Local Authority to ensure that their funds remained safe. Virtually every Local Authority across England and Wales has, over time, managed or administered charitable trusts for and on behalf of members of their local community.

UK Community Foundations’ research and experience has revealed that many of these trusts are now inactive. Some local authorities may not even be aware of their existence, but it is likely that almost all local authorities have an inactive trust they have some responsibility for. The exact value of these trust funds is not known however it is estimated that it runs into the hundreds of millions of pounds across Local Authorities in England and Wales. If just a small percentage of these trusts can be reactivated, it could make a huge difference to local communities.

As Local Authority funding is reduced over time, they have fewer resources to manage these trusts. However, the importance of ensuring that charitable resources are being used to meet community needs has never been greater.



Building Resources For Your Local Community Groups

A SIMPLE SOLUTION

The aim of this guide is to offer Local Authorities a simple solution to reactivate inactive trusts under their management and put these assets back to work in their local communities – as was intended by their founders.

This initiative will run from 2018 across the UK until the end of 2019, allowing your Local Authority the time required to consider their options, engage your Members and take advantage of the service we have made available to help reactivate inactive trusts.

Reactivating trusts can be made very straightforward with the help of your local Community Foundation.

This can be achieved at **no cost** and minimum effort to your Local Authority. Once established, there will even be small savings as the administration costs will be handled by the Community Foundation. In addition, better returns on investments may increase the funds available to support your local communities.

KEY STEPS

1. Work with your local Community Foundation to identify appropriate inactive trusts and review the governing documents
2. Work with your local Community Foundation to draft a proposal for a Local Fund for approval from trustees and the Cabinet
3. Work with your local Community Foundation to transfer inactive trusts into the Local Fund
4. Your local Community Foundation will manage and administer the fund - working with your Local Authority to bring the assets back into action
5. Your local Community Foundation will send you an annual report outlining how the fund has been used and its impact

BUILDING LOCAL RESOURCES WITH YOUR COMMUNITY FOUNDATION

Community Foundations connect local charitable giving to local projects.

UK Community Foundations working with its network of 44 Community Foundations across England and Wales, and supported by its partners, has developed a simple solution that can help your Local Authority to reactivate inactive trusts, ensuring these funds are once again active and supporting the people in your communities that need help.

Community Foundations manage funds on behalf of thousands of individuals and businesses providing them with philanthropy guidance and grant-making services. To date they have distributed £1 billion in grants to more than 100,000 charities and small community groups across the UK.

They allow funding to reach the heart of their communities and tackle the widest possible range of issues and intervene in the hardest to reach neighbourhoods.

Community Foundations are an effective and sustainable option for reactivating trusts and keeping them working to support local projects. Their staff have the professional skills and local knowledge to take on the management of these inactive trusts so they can continue to provide funding for the long term benefit of local communities, as the trusts originally intended.



Community Foundations charge a small contribution toward core costs to transfer a trust and set up a fund and an ongoing annual fee to manage the fund - these costs come directly from the trust and are based on the value, size and complexity of the trust.

This guide covers England and Wales only but please note there is a Community Foundation for Scotland and a Community Foundation for Northern Ireland.

Already over 40 District, Borough, County and City Councils across England and Wales have established a working relationship with their local Community Foundation and entrusted them to manage and administer their inactive trusts - setting up Local Funds to provide the much needed funding for community projects.

Local Giving to Support Local Causes

A VEHICLE TO ENCOURAGE LOCAL GIVING TO SUPPORT LOCAL CAUSES

A Local Fund is a vehicle which can be used by people and businesses to give to local causes. They are independent funds managed by respected Community Foundations which can help communities like yours to help themselves. Local Funds pool resources to help support activities such as social care for older people, families in crisis, and vulnerable young people. They can be established quickly and effectively using inactive trusts in your local authority.

Many Local Authorities and Community Foundations have already worked together to use inactive trusts to build Local Funds that provide grant making resources to support local community groups.



The Brighton & Hove Legacy Fund

In November 2017, the Brighton & Hove Legacy fund was formed following a decision by Brighton & Hove City Council to transfer ten historic charitable trusts and bequests held by the Council to Sussex Community Foundation.

The generous local people who left the original legacies ranged from a former Mayor of Brighton to a local school teacher and whilst they lived over a wide period of time, from 1860s to the 1970s, they shared something crucial in common: a desire to give something back to the people and the city they loved.

By bringing these trusts together the £1 million trust has allowed Sussex Community Foundation to broaden the Objects, multiplying the fund so that it will support the education and personal development of children and young people and promote community engagement with libraries for generations to come.

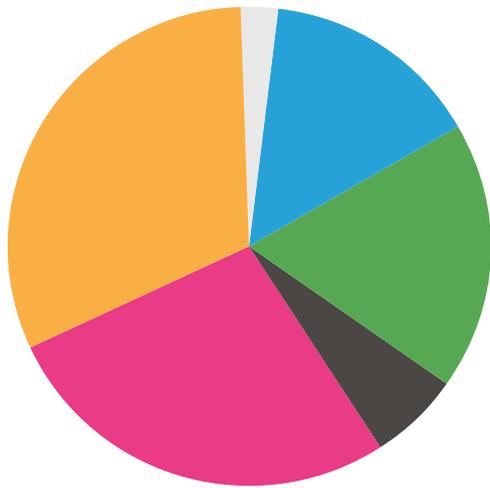
Kevin Richmond, Chief Executive of Sussex Community Foundation said "We are honoured to be entrusted with the legacies left by these generous local people. We have pledged to inspire others to give donations and legacies to make Brighton & Hove a great place to live for everyone, and to increase the size of the endowment fund by another £1million within ten years."

Councillor Emma Daniel, Chair of Brighton & Hove City Council's Neighbourhoods, Communities and Equalities Committee, said: "Many of the trust funds included in the new Legacy Fund date back for decades. We wanted to modernise the way grants are allocated, and create opportunities for any organisations, businesses or individuals who want to set up their own funds to benefit local community and voluntary groups, so that we can expand the support available."

Sussex Community Foundation

Portsmouth City Community Funds

Community Foundations can provide powerful analysis, charts and tables to highlight where the funds have been allocated.

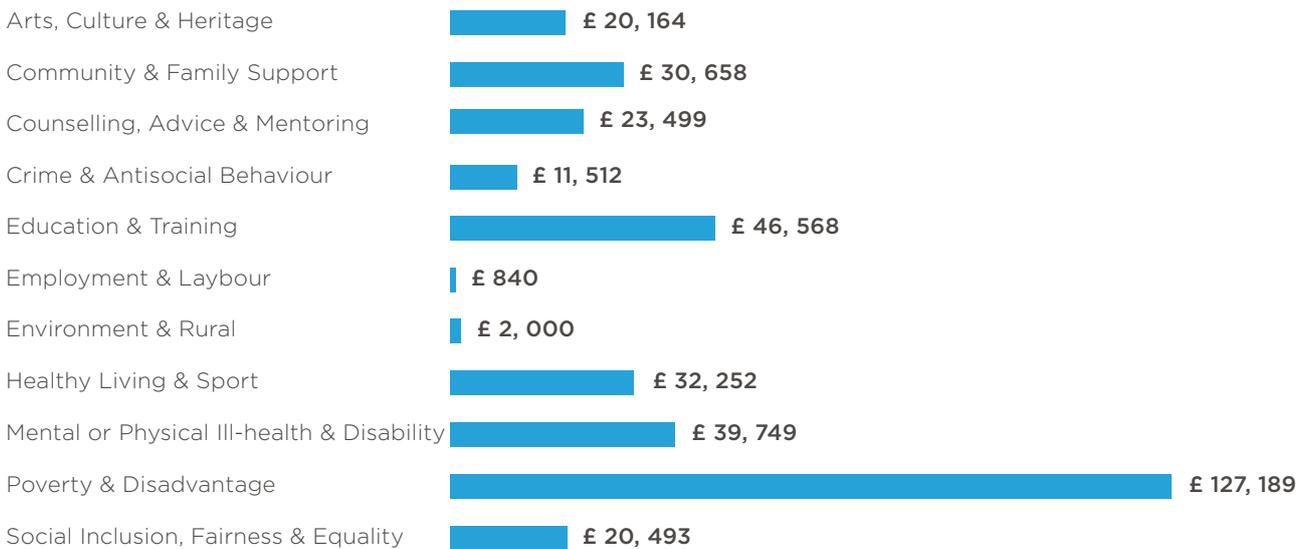


Portsmouth Community Funds:

Total grant value £ by Age Group for 2013-2016

- Early Years (0-4) (£9,100)
- Children (5-12) (£51,664)
- Young people (13-18) (£64,021)
- Young adults (19-25) (£21,881)
- Adults (26-65) (£96,272)
- Seniors (65+) (£111,986)

Portsmouth City Community Funds: Issues by Value £ for 2013-2016



Portsmouth City Council managed and administered 22 trust funds totalling nearly £2 million in their capacity as sole trustee and as custodian for and on behalf of 45 trustees.

These trust funds had been received by the Council over many years following bequests and investments made to and for various issues and causes across the City. In some cases the trust funds were active and fulfilling their Objects; in other cases they had become inactive and ineffective as the original intentions or Objects within the governing documents of the funds were out of date. The Council absorbed all costs in

connection with managing and administering these trust funds.

In 2013 the trusts were transferred to the Hampshire and Isle of Wight Community Foundation who have successfully managed the assets, working in partnership with Portsmouth City Council to ensure small local community groups benefit from the Portsmouth City Community Funds.

KEY FEATURES AND BENEFITS OF THE INITIATIVE

- 01** Inactive trusts that have had little impact over recent years can now be reactivated and placed into a Local Fund to support community projects and provide targeted and local support for your voluntary community sector
- 02** The guide is supported by The Department for Digital, Culture, Media and Sport, The Charity Commission, CCLA, The Local Government Association, The Chartered Institute for Public Finance and Accountancy, UK Community Foundations and Lawyers in Local Government so your Local Authority can be confident that the processes have had proper oversight and are transparent
- 03** Community Foundations are the only network with the experience and expertise of building Local Funds and managing local endowment funds which provide long-term benefit for your communities
- 04** Community Foundations are a trusted and proven delivery mechanism for local charitable giving, so your Local Authority can be confident that trusts transferred into a Local Fund will be well managed and invested. They are regulated by the Charity Commission
- 05** Community Foundations work with registered and unregistered voluntary and community groups ensuring that a Local Fund will also provide support to the smaller, lesser known community groups working on the frontline across your communities
- 06** Inactive trusts can be placed into a Local Fund at no financial cost to your Local Authority, making this a cost-effective solution
- 07** Community Foundations take care all of the paperwork necessary to transfer trusts and establish a Fund and can even help to support the Cabinet paper submission ensuring that the process is smooth and straightforward for your staff
- 08** Combining smaller trusts with the same Objects, or updating the Objects, will ensure the transferred trusts that are placed into your Local Fund will be effective and can be used to make an impact at a local level
- 09** Investing the reactivated trusts into a single endowment fund (ring-fenced by fund and area) for the long term will make for better returns and provide more funds for local distribution so communities can look forward to better outcomes
- 10** Your Local Authority can be confident that they can fulfil legal and moral obligations to the trusts they administer without any cost to their local residents
- 11** Your Local Authority can remain actively engaged in the distribution of the Local Fund income helping set the Fund Criteria and represented on the grant-making panel
- 12** Community Foundations, in partnership with your Local Authority, can promote and build the fund through legacies, support from local people and by leveraging other funds under their management



Cumberland Educational Foundation

In 2003, the Cumberland Educational Foundation, with assets worth just under £500,000, was transferred to the Cumbria Foundation from Cumbria County Council. Since then the fund has doubled and is now worth more than £1 million and has awarded £280,000 to individuals, charities and community groups to assist with further academic study or the development of practical skills or sporting excellence of young people.

Cllr Stewart Young: “Cumbria County Council administers several trust funds which had been set up in the past by various benefactors. There is a tendency for some of these funds to outlive their purposes and not provide any benefit to individuals or groups, despite efforts from the county council.

“There is a great responsibility on the council to preserve the trusts’ original aims, but by transferring them to Cumbria Community Foundation, which has a well-established grant-making infrastructure, money is held in perpetuity and invested for the benefit of future generations

with the income generated supporting local community projects. The administrative costs of managing the trusts are placed with a specialist professional organisation and funding can support aligned local initiatives.”

“There is a great responsibility on the council to preserve the trusts’ original aims”

Cllr Stewart Young, Leader of Cumbria County Council

How To Reactivate Your Local Trusts

THE OPTIONS

01 Create a new Local Fund

- Close the existing charitable trusts
- Transfer assets to the newly established Local Fund
- If necessary establish new Objects that are broadly in line with the original charitable Objects
- Administration will be carried out by the Community Foundation, with an option for a Local Authority steering group and/or representation on grant making panels

02 Preserve the original identity of large charitable trusts (usually with a capital value of £100k plus)

- Transfer the assets into a Named Fund and close the trust
- The original identity and Objects of the trust are preserved
- Administration will be carried out by the Community Foundation alongside the Local Fund potentially with oversight from a Local Authority steering group and/or representation on grant making panels

03 Transfer trusteeship

- For cases where it is not legally possible to transfer assets into a Local Fund or Named Fund (due to restrictions in the governing documents)
- The Local Authority can transfer the trusteeship to the Community Foundation to manage the trust alongside the Local Fund
- The trust remains open and its Objects remain in place

04 Existing Local Fund

- Close small charitable trusts
- Transfer assets into an existing Local Fund, with the same charitable Objects, within a Community Foundation



Hackney: St Hilda's East Community Centre

Cllr Guy Nicholson, Cabinet member for Regeneration said:

“Hackney has been delighted to be involved in this work with the East End Community Foundation, the process of transferring numerous small funds held in trust by the Council was simple and effective in creating a meaningful and growing single legacy fund which has already gone on to support grassroots projects and community activity in perpetuity.”

Since the transfer the fund has attracted 50% match funding and is being invested to achieve further growth. This is a positive outcome for both the community and the Council.”

East End Community Foundation

STEP BY STEP GUIDE

This is the process that Local Authorities will need to go through to utilise inactive trusts and build resources for local community groups.

1



STEP 1: GETTING STARTED

BUILDING RELATIONSHIPS AND ESTABLISHING TRUST

There are two key elements to ensure success and build Local Funds:

1. Engage with your local Community Foundation and build trust across your organisations and with staff
2. Create support within your Local Authority
 - At a political level with the leader and/or a senior cabinet member
 - At senior management level - the key individuals are usually the Chief Executive Officer, Director of Legal Services and the Director of Finance. There may also be a Trust Clerk in place
 - With lay trustees of any inactive trusts where they are not Councillors or Officers
 - Because this is a legal process that may vary locally, it is vital that the Council's legal team and finance team are involved and committed from the beginning.

Save time by requesting Governing documents from the Charity Commission

FINDING OUT ABOUT YOUR INACTIVE TRUSTS

The first task is to understand the scope of your charitable trust portfolio and what your options are. Your Community Foundation can help you here as they have, with the support of the Charity Commission, carried out a lot of research in this area.

Your finance or legal teams can collate the trusts under management but there may be missing governing documents or they may just be filed away in the archives. Your Community Foundation will have access to the UK Community Foundations Trust Transfer Service linked directly into the Charity Commission - they can save you time by requesting governing documents from the Charity Commission.

When your finance and/or legal department has drafted a complete list of trusts under management together with their assets values then you can meet with your local Community Foundation to discuss how they can support you in revitalising any inactive trusts.

REVIEWING THE TRUSTS AND GOVERNING DOCUMENTS

Your Community Foundation will research the trusts identified by your finance/legal team and review the governing documents (if available) and Objects to see if they are current or might need updating. They will also look to see if there are any restrictions to a transfer such as permanent endowment.

2

STEP 2: GETTING APPROVAL

PRESENTING A WRITTEN PROPOSAL

Your Community Foundation will draft a formal proposal for your Local Authority to consider.

It will include trusts in scope (some might not be viable for transfer, such as recreation grounds and war memorials).

The proposal will be written for the Local Authority and will look at cost-effective options and how funds can be grown at a local level.

It is usual for the proposal to be presented at a meeting agreed in advance with both your finance and legal teams (the process is flexible to reflect local practice).

EXPLORING THE IDEA WITH TRUSTEES AND LAY TRUSTEES

Following review and approval of your Community Foundation's proposal, your authority will meet with the trustees of the trust funds (unless your Local Authority is the Corporate trustee) to discuss the options.

In practice, many of the trustees are likely to be Councillors, officers or people well known to the Local Authority.

Your Community Foundation will be available to support this process, present to the trustees and answer their questions.

FORMAL WRITTEN PROPOSAL TO TRUSTEES (AND/OR COUNCILLORS)

Your Community Foundation will then forward a formal written proposal to the trustees for their consideration.

The proposal will outline the work of the Community Foundation in the local area, how it aligns to the aims and values of the trust, how the process works and the benefits to the trustees and/or Local Authority. It will also emphasise the added value the Community Foundation will bring to the trust and include a section on quality, management and fees.

TRUSTEES MAKE A DECISION TO TRANSFER

If the trustees approve the proposal, then your Local Authority, with support from your Community Foundation, will usually need to draft a paper for the Cabinet.

Your Community Foundation can draft an In Principle Agreement which will summarise the agreed way forward and submit this to the Charity Commission for approval. This document and its approval (in principle and subject to charity law) can be submitted with the Cabinet paper and will usually alleviate many of the concerns raised by Council Members.

Following Cabinet approval, your Local Authority should notify the bank/ investment managers of the decision to transfer the assets and request papers necessary for the transaction/s.

Your Community Foundation can summarise the agreed way forward and submit this to the Charity Commission for approval

3



STEP 3: TRUST TRANSFER

Your Community Foundation will liaise with the Charity Commission to complete the following:

1. Remove any Permanent Endowment
2. Update Objects
3. Ensure Community Fund/s are set up in compliance with their Charitable purposes
4. Draft appropriate section 281, 282 declarations

Note: If property is involved your local authority may need to engage a solicitor to complete the transfer of the property.

FUND AGREEMENT AND FUND CRITERIA

Your Community Foundation will also draft a Fund Agreement and Fund Criteria. The Fund Agreement is a legally binding document that will set out the terms and conditions of how the funds will be managed by the Community Foundation in the future. It is a very comprehensive agreement and includes reference to management responsibilities, fees and the Fund Criteria.

The Fund Criteria will take into account the existing Objects of the trust and these will be included wherever possible. In many cases the existing Objects are out of date and the Community Foundation will seek permission from the Charity Commission (prior to transfer) to update them. The Community Foundation will try to ensure the funds are used broadly in line with the original Objects but they often need to broaden the definition of beneficiaries.

SIGNING OFF THE TRANSFER

The following documents will be completed and signed:

- a) Declarations signed by the trustees
- b) Fund Agreement agreed and signed by the trustees and your Community Foundation
- c) Fund Criteria agreed and signed by the trustees and your Community Foundation
- d) Any related property documentation signed by trustees

TRANSFERRING THE ASSETS

When all documents are signed and received by the Community Foundation and subject to Charity Commission approvals, then the Community Foundation will set up the fund on its system ready to receive the transferred assets.

Your Community Foundation will work with your bank and/or Investment managers to ensure a smooth transfer of funds.

Community Foundations will seek permission from the Charity Commission to update Objects

4



STEP 4: MANAGEMENT AND GOOD GOVERNANCE

ONCE THE ASSETS HAVE BEEN RECEIVED, YOUR COMMUNITY FOUNDATION WILL:

- a) Promptly send the assets through to their Investment Managers
- b) Notify the Charity Commission and request the charity is closed and removed from the Register (unless it is a change of Trusteeship)
- c) Apply for Linking Direction, if applicable

INVESTMENTS

All Community Foundations have existing funds which they invest, using Professional Investment Managers, in line with the Community Foundation's investment rules and policies.

The Community Foundation manages many different funds and each fund is accounted for separately. The capital gains/losses and income are reported by individual funds each quarter.

“THE LOCAL FUND for the Harrogate District is well on the way to achieving its target with £40,000 being distributed in 2018”

Jan Garrill, CEO of Two Ridings Community Foundation

GOOD GOVERNANCE

The Community Foundation's board of trustees will take over the responsibilities for the trust assets. Trustees of closed charitable trusts and/or local authority can stay involved in their trust when it transfers to the Community Foundation. They are usually invited to join a grant committee and/or grant panel. However, most trustees and Councils once they are satisfied their trust is in safe hands, leave the Community Foundation to get on and manage the fund.

EFFECTIVE GRANT-MAKING

Grant-making programmes for trust transfers will vary according to the size of the fund, the agreed transfer commitments and the Fund Criteria.

Community Foundations offer comprehensive and professional grant-making programmes that include everything from managing applications through to monitoring and evaluation. They will also provide inductions for grant panel members and offer visits to local projects.

BUILDING ADDITIONAL ASSETS

Once your Local Authority has established a Local Fund with your Community Foundation you can work in partnership to develop strategies to build local support. For example, Hampshire County Council set up a fund with their local Community Foundation and raised over £50,000 to support local vulnerable older people. A local community legacies programme is another potential approach.



Harrogate: Rural Arts North Yorkshire

THE LOCAL FUND, Harrogate District

In January 2018 THE LOCAL FUND for the Harrogate District was established with the transfer of the Harry Bolland Charitable Trust to Two Ridings Community Foundation. The Trust had been established in 1966 to support residents of Harrogate and as part of the transfer the Community Foundation was able to widen the area of benefit to include some of the more disadvantaged local areas.

The Two Ridings Community Foundation worked closely with Harrogate Borough Council to provide support and guidance to the trustees of the Harry Bolland Trust to ensure there was a smooth transition for their valued trust.

The newly established local fund is a partnership between Two Ridings Community Foundation, Harrogate Borough Council and Harrogate & Ripon CVS.

The aim of THE LOCAL FUND for the Harrogate District is to be an accessible and local fund for local charities and small community groups and build the distribution of grants to £100,000 pa by 2020 through a variety of endowed and flow through funds.

“The transfer of the Harry Bolland Trust has been key to the establishment of THE LOCAL FUND and provides a firm base to build on”

Rachel Bowles, Director Corporate Affairs, Harrogate Borough Council and former chair of the Harry Bolland Trust.

5



STEP 5: REPORTING AND IMPACT

All Local Authorities and retiring trustees can request an annual statement which highlights income, gains/losses, expenses or fees and the details of grants awarded.

In addition to their financial annual report Community Foundations may also publish an Annual Review which highlights the achievements of their work and provides comprehensive information on their local grant-making.

Local Authorities will also have the opportunity to visit projects and meet other people and businesses who have funds invested with and managed by the Community Foundation.

Many Community Foundations also:

- a) Compile and send a comprehensive report for their larger funds and meet with these fund holders each year for a face to face annual review
- b) Provide an Impact report which spotlights local issues and links funds and their funding, showing how local funds are addressing these issues

KEY SUPPORT FROM YOUR COMMUNITY FOUNDATION

SERVICE INCLUDES:

- Liaising with the Charity Commission to obtain their approval to transfer all qualifying trusts
- Obtaining governing documents
- Removal of any permanent endowment
- Updated charitable Objects
- In Principle Agreement for approval by the Charity Commission
- Assistance with the Cabinet paper
- Formal resolutions/declarations to transfer trusts
- Fund Agreement covering management of trusts after transfer
- Fund Criteria to support distribution of funds after transfer
- Letters of Concurrence from the Charity Commission
- Support with investment managers to assist with the transfer of assets
- Removal of trust from Charity Commission register and closure of Trust
- Ensure that new funds are fit for purpose and respect the original intent
- Establishing Named or Local Funds for the long-term benefit of local communities
- Maximising the investment returns through pooled investment of funds
- Ensuring that the fund is sustainable for the long-term benefit of the local community
- Single point of contact for community and voluntary groups
- Quality grant-making into the community
- Reports on the performance of the fund for both investments and grant-making
- Monitoring of grants and evaluation of grant programmes



Some important considerations

WHAT RESPONSIBILITY DOES YOUR LOCAL AUTHORITY HAVE OVER TRUSTS?

If your Local Authority is managing trusts, the recommended checklist issued by the Local Government Association and the Charity Commission in 2013 states that they should:

- 01 Ensure that any charitable asset for which the Local Authority is the trustee, is clearly identified
- 02 Make sure you are clear about the Objects of the charity set out in its governing document as these dictate how any such asset may be used, in accordance with charity law
- 03 Make sure that any charitable assets for which the council is the trustee are managed independently in accordance with their charitable purpose and any restrictions in the governing document
- 04 Recognise that charity trustees have a duty to be prudent and to act solely in the best interests of the charity
- 05 Ensure there is a clear line of responsibility for the management of all charities for which the Local Authority is the trustee
- 06 Ensure you have a clear process for identifying and managing any conflicts of interest that arise where the Local Authority is the trustee of a charity
- 07 Actively manage any charity for which the Council is the trustee – keeping records up to date, submitting the necessary returns to the Charity Commission and reviewing investments, risks and opportunities on a regular basis
- 08 Periodically review whether it continues to be in the best interests of the charity for the Local Authority to remain a trustee
- 09 Follow Charity Commission guidance (and obtain appropriate advice) if you are planning to dispose of charity land, alter charitable purpose or other terms of the governing document or take action where trusts have become inactive

WILL YOUR LOCAL AUTHORITY LOSE CONTROL?

Your Local Authority can set up both Named Funds and Local Funds with your local Community Foundation and maintain control, subject to charity law, around the allocation and distribution of the funds.

The trust funds can only be administered in line with their Charitable Objects, so this initiative is more about outcomes than who manages and controls these trust funds.

Your Local Authority will be able to ensure that the Objects of the Local Fund are aligned and consistent with both the Objects of the original trust (as updated, if necessary) and its own objectives. Depending on the local agreement (and the trust Objects) with the Community Foundation, the Local Authority will be able to appoint Councillors or officers to sit on the local grant-making committees, suggest priority groups, targets, or an annual focus for the Local Fund.

In the case of a Named Fund and the transfer of trusteeship, the trust fund will operate under the same rules. In these cases, the Local Authority can also potentially have a seat on the grant panel and continue to help direct funds to local causes.

Community Foundations are independent charitable foundations that are each governed by their own robust board of trustees – these often include local Councillors. Community Foundations are all quality accredited and regulated by the Charity Commission and there is a very high standard of transparency across their work. Local Authorities can be confident that any trust that has been transferred will be managed effectively and efficiently in order to ensure these assets continue to support and build strong local communities.

Any transferred trust will be used in the intended area of benefit determined by the original trust deed, unless these are widened with the permission of the Local Authority and the Charity Commission when the trust is transferred. This ensures the funds are ring-fenced for the Local Authority area and cannot be used to provide grants in other parts of the Country.



The Annie Bettmann Foundation, Coventry

Siegfried Bettmann was a German entrepreneur involved in the motor cycle and car industry in Coventry in the late 19th and early 20th centuries, where he established the Triumph brand. He also played a prominent role in civic society.

In 1914 he and his wife Annie established the Annie Bettmann Foundation to provide loans or grant to adults in the City wanting to set up in business. Trustees to the Fund were appointed by the City Council.

By 2017 the Fund was becoming inactive and difficult for the Trustees and the Council to continue to administer. Although its endowment fund was significant, c £0.25m, the annual income generated was not.

The Trustees have worked with the City Council and the Heart of England Community Foundation to transfer the charity to the Foundation as a Named Fund. The Trustees were concerned to preserve the identity of the Fund, given the importance

of the founder to the City's history, and so a new named Grants Panel has been set up to manage the funds going forward. Some of the former Annie Bettmann trustees will be invited to join the Grants Panel as part of the handover process to provide continuity. The process will see the endowments brought to bear once more to meet their objectives of promoting business in the City.

Coventry City Council Leader George Duggins has supported the process. "It is essential that we work with partners to ensure all available resources are being used as intended to meet the needs of our community. We need to adapt to new ways of delivering this ongoing task."

Heart of England Community Foundation



Wales: Rhondda Foodbank

The Stanley Bligh Fund, Wales

Stanley Bligh was a Welsh thinker, writer and landowner. Born in 1870, Bligh was educated at Eton and Trinity College, Oxford. He became a member of the Inner Temple and was called to the Bar in 1895, practising on the South Wales circuit.

Bligh died in 1949 and the proceeds of his estate established the Stanley Bligh Memorial Fund to provide bursaries for students studying agriculture and technical subjects in the arts and sciences. In more recent years the Fund was managed by Powys County Council. Over time the costs and burden of administration had become difficult for the council to bear - managing charitable trusts being outside the core business of a local authority.

In 2009, the Council agreed to transfer the Memorial Fund, valued at £722k, along with five other charitable trusts which were worth a combined £3.9m to the Community Foundation in Wales.

Almost nine years on the Stanley Bligh Fund is now valued at over £1m, a 40% unrealised capital gain. During this period the Fund has produced a net return for grant-making of almost £200k and awarded grants to over 170 groups and individuals, carrying out activities which include studies in medicine, sheep farming and forestry management. In addition to Powys, the Foundation has worked with six other local authorities - Newport, Monmouthshire, Cardiff, Wrexham, Denbighshire & Flintshire - to transfer charitable assets worth in excess of £6.4m.

“We breathe new life into old trusts ensuring that the legacy of philanthropists from the past continues to live on today.” Richard Williams, Chief Executive, Community Foundation in Wales.

Community Foundation in Wales

The Guide Partnership

THE DEPARTMENT FOR DIGITAL, CULTURE, MEDIA AND SPORT (DCMS)

The Office for Civil Society (OCS) is the team in the Department for Digital, Culture, Media and Sport responsible for policy relating to young people, volunteers, charities, social enterprises and public service mutuels. They aim to enrich lives, drive growth and promote Britain to the world by working in partnership with civil society, private businesses, investors and all parts of government. They are responsible for the civil society strategy to tackle deep seated social problems, loneliness and the national Citizen Service.

OCS champions the civil society sector and have around 90 staff working within the Department for Digital, Culture, Media and Sport in London and across England.

“I am hugely supportive of the work to release underused funds in local authority trusts. The funds released can help to strengthen local groups and initiatives, and provide communities with significant resources to support their life-changing work across the country for many years to come”

Tracey Crouch - Minister for Sport and Civil Society, DCMS

THE CHARITY COMMISSION

The Charity Commission for England and Wales is the non-ministerial government department that regulates registered and unregistered charities in England and Wales and maintains the Central Register of Charities.

The Charity Commission answers directly to the UK Parliament rather than to Government ministers. It is governed by a board, which is assisted by the Chief Executive (currently Helen Stephenson CBE) and an executive team.

“The Charity Commission is pleased to support this guide which will help thousands of inactive trusts, being managed by local authorities, to be reactivated and their assets put them back to work supporting local communities”.

David Holdsworth - Registrar of Charities for England and Wales, Charity Commission

CCLA

CCLA was founded in 1958 and is one of the UK's largest charity fund managers, managing investments for charities, religious organisations and the public sector across the UK. Based in the City of London, with an office in Edinburgh, they are largely owned by their clients' funds.

CCLA look after more than 36,000 charitable organisations providing them with flexible investment solutions. They understand the particular needs and challenges facing charity investors and know that their invested assets are a key source of revenue for the delivery of their services and support to their communities. CCLA also recognise that these assets must be sustained over time in real terms and their clients seek, as far as possible, to avoid excessive risk, both financial and reputational. They also have a large and growing client base in local authorities, offering investment products tailored to Councils' needs. In sponsoring this project, CCLA is providing support to assist the resources available across its client base.

“CCLA is proud to be involved in this important initiative. We believe that it will provide local authorities with the practical knowledge and insight required to help them to make the most of charitable funds under their control.”

Michael Quicke OBE - Chief Executive, CCLA

UK COMMUNITY FOUNDATIONS

UK Community Foundations is the umbrella organisation for the national network of all accredited Community Foundations across the country. Community Foundations help people and organisations to invest in local communities where it is most needed and where it will make most impact.

The network consists of 46 Community Foundations which covers the whole of the United Kingdom and they have an unparalleled reach into local communities. They direct local donors to the causes that they are not only passionate about but that will make the most difference. They support local projects and address the widest possible range of issues and access the hardest to reach communities.

The network has a collective endowment of over £580 million and gives grants totalling more than £77 million annually. This makes them one of the UK's largest grant-giving organisations.

“UK COMMUNITY FOUNDATIONS and the network of accredited Community Foundations warmly welcome the support from this partnership. It will enable us to work with Local Authorities to build local community funds and bring much needed support to struggling local communities. It could not be more timely.”

David Sheepshanks CBE, DL - Chairman for UK Community Foundations

THE LOCAL GOVERNMENT ASSOCIATION (LGA)

The Local Government Association is the national voice of local government, working with councils to support, promote and improve local government. They are a politically-led, cross-party organisation that works on behalf of councils to ensure local government has a strong, credible voice with national government. They aim to influence and set the political agenda on the issues that matter to councils so they are able to deliver local solutions to national problems.

The LGA also provide a range of practical support to enable local authorities to make the most of the opportunities that this approach to improvement provides.

“This is a real opportunity for councils to be able to ensure this money is used to support initiatives that will benefit local communities and make a real difference to local people”

Lord Porter of Spalding, CBE - Chairman, LGA

THE CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

The Chartered Institute of Public Finance and Accountancy is a professional institute for accountants working in the public services, national audit agencies, in major accountancy firms, and in other bodies where public money needs to be managed.

“CIPFA recognises that the timing of this national initiative could hardly be better, and the impact it will have for local communities and local vulnerable people is significant. We would strongly encourage our members and all other finance leaders to take a good look at the guidance and get behind the initiative”

Rob Whiteman - Chief Executive, CIPFA

LAWYERS IN LOCAL GOVERNMENT (LLG)

LLG is a membership organisation which represents, promotes and supports local authority lawyers and governance officers across England & Wales. Representing 97% of local authority legal departments with 11 regional branches and 10 national activity areas; LLG is networked with numerous stakeholder and interest groups to work collaboratively to promote the strategic delivery of open governance and service to our communities.

“LLG welcomes the guidance and valued resource of community foundations in supporting local authorities to capitalise on existing trusts for the benefit of local communities”.

Deborah Evans - CEO, LLG



Glossary of terms

COMMUNITY FOUNDATION – there are 46 Community Foundations in the UK, 44 of these operate across England and Wales. Community Foundations connect local people to the causes they care about helping them to fund and support local community projects that provide help to the most vulnerable. They build thriving communities through local social action

INACTIVE TRUST – where a charitable trust, has not spent any of its income over the past 5 years or has spent less than 30% of income over this period

DECLARATION – a formal statement from the trustees stating that they wish to transfer their assets, why they wish to transfer their assets and certifying that they all agree that this is the best way going forward for their assets to be managed

DECLARATION UNDER S.281 – a formal declaration incorporating section 281 of the Charity Act 2011 – used for charities with permanent endowment that have an income of less than £1,000 pa and/or assets of less than £10,000

DECLARATION UNDER S.282 – a formal declaration incorporating section 282 of the Charity Act 2011 – used for charities with permanent endowment that have an income of more than £1,000 pa and/or assets of more than £10,000

ENDOWMENT – is an investment fund, that could be made up of cash, shares, property or land set up for the long-term benefit of local communities to provide grants out of the income generated

EXPENDABLE ENDOWMENT – an investment, that could be made up of cash, shares, property or land, set-up by UK Community Foundations or a Community Foundation for the long-term benefit of local communities. The endowment can be used to provide grants out of the income generated or the capital invested

FUND AGREEMENT – an agreement between the charity trustees and UK Community Foundations or Community Foundation on how the funds will be managed after transfer. The Agreement will usually cover general management terms including fees and reporting requirements

FUND CRITERIA – a Fund Criteria document sets out how the funds will be allocated and distributed each year. It will usually include the size of the grant i.e. grants will be available from £500- £5,000. It will also include the beneficiaries, area of benefit and any exclusions

GOVERNING DOCUMENT – this document could be the Memorandum of Articles or a Trust deed. It is the document that regulates how the charity operates and its purpose. There may also be attaching Schemes that have been used to amend the Governing Document over the years

IN PRINCIPLE AGREEMENT – the Charity Commission agreeing in principle to a proposal put to it by the charity and UK Community Foundations for a trust transfer

LOCAL AUTHORITY – Local Authorities including County, Unitary, District, Borough, Town and Parish Councils

LOCAL FUND – A Local Fund is a local community fund providing grants to local charities and community groups. They can be established by the transfer of assets, active and inactive charitable trust, of local Community Foundations

LINKING DIRECTION – Linking Direction is used when the Charity Commission does not give approval for the removal of Permanent Endowment therefore instead of transferring the Trust, UK Community Foundations or the Community Foundation, will take-over the trusteeship from the existing trustees and become the Corporate Trustee. They (UK Community Foundations/CFs) will then use Linking Direction (requested from Charity Commission) to link the Charitable Trust to their Charity in order that they can report/record the Trust's performance within their accounts and do not have to produce a separate set of accounts

PERMANENT ENDOWMENT (PE) – is money or property that was originally meant to be held by a charity forever. This is usually set out as a restriction in the charity's governing document. This can be land, building, cash or investments. Charitable Trusts who have a Permanent Endowment can only use their income to make grants and cover general administration costs they cannot spend the capital asset

If you would like further information about how Community Foundations can help your Local Authority to utilise inactive Charitable Trusts then please contact UK Community Foundations:

Email: trusttransfers@ukcommunityfoundations.org

UK Community Foundations Registered office: Unit 1.04 Piano House, 9 Brighton Terrace, London SW9 8DJ. Company Registration Number 2651777, Registered in England and Wales. Registered Charity Number 1004630

Websites:

UKCF: ukcommunityfoundations.org

DCMS: gov.uk/government/organisations/department-for-digital-culture-media-sport

CCLA: ccla.co.uk

Charity Commission: gov.uk/government/organisations/charity-commission

CIPFA: cipfa.org

LGA: local.gov.uk

LLG: lawyersinlocalgovernment.org.uk

