

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **COMMUNITY PROFILE AND PARTNERSHIPS
OVERVIEW AND SCRUTINY COMMITTEE**

DATE: **MONDAY, 15 OCTOBER 2012**

**JOINT REPORT
BY:** **CHIEF EXECUTIVE AND HEAD OF FINANCE**

SUBJECT: **FLINTSHIRE COMMUNITY ENDOWMENT FUND**

1.00 PURPOSE OF REPORT

- 1.01 To consider an in principle agreement to transfer existing moribund trust funds to a newly established Flintshire Community Endowment Fund.
- 1.02 To receive a presentation from Colin Evans, an Associate of the Community Foundation in Wales.

2.00 BACKGROUND

- 2.01 The Council holds a number of funds in trust (as sole trustee) following bequests and investments made to and for various issues and causes within the County. In some cases the funds have become moribund or ineffective as the original intentions or objects stated within the governing documents of the funds are now out of date. In other cases the assets may comprise the net sale proceeds of property and land originally owned by respective trust funds.
- 2.02 The Charity Commission is keen to see the release of the many moribund and ineffective trust funds locked into Local Authorities around the country, and the Commission particularly supports the release of these funds to leading charitable bodies.

3.00 CONSIDERATIONS

- 3.01 Flintshire is currently responsible for 16 educational trust funds which are moribund or ineffective. Five of the trust funds have been registered with the Charity Commission and 11 are unregistered trust funds. Assets total circa £200,000 are held in the form of cash.
- 3.02 From the background information available it would appear that all the original donors established a trust fund with the requirement that the capital sum donated to be held in perpetuity to generate annual income that would be used to support grant applications. Action

needs to be taken to make these trust funds effective once again. These funds are not Council funds and cannot be absorbed into mainstream budgets.

- 3.03 Following formal consultation with the Charity Commission, it is apparent that the most effective use of these moribund and ineffective funds and their attaching assets is to transfer them to a body who will act as trustee and manage the funds with their assets being held in perpetuity, with annual income used to support a new small grants scheme (working title: the 'Flintshire Community Endowment Fund") for charitable distribution to eligible individuals and organisations across the County, broadly in line with the trust funds' original objectives.
- 3.04 The Community Foundation in Wales has been identified as a possible organisation to manage these funds on behalf of the Council. Based on a model of philanthropic giving started in the USA nearly 100 years ago, Community Foundations are now well established and a recognised part of the UK Voluntary Sector. They have been established to cover specific geographical areas and to support their local communities at grassroots level. They are set up as charitable trusts to enable many donors to collaborate in creating a permanent capital fund for the benefit of defined local areas. This will generate income for grant making that will be available for the long term, responding to local needs and issues.
- 3.05 The Foundation is a respected national charity which operates and is effective across Wales. Board members include senior representatives from the business, law and charitable sectors. Trefor Jones CBE, HM Lord Lieutenant of Clwyd is appointed Vice President. The Foundation is an administrator and distributor of charitable funds and manages a number of corporate and statutory grant programmes which directly benefits Flintshire. Over the last five years the Foundation has distributed over £4.5 million of grants to support over 600 groups, individuals and projects across Wales. Flintshire groups and individuals alone have benefited from £33,000 through 16 awards in the last three years. The Foundation is quality accredited by the Community Foundation Network to standards endorsed by the Charity Commission and manages a Capital Endowment Fund in excess of £6.7 million, utilizing the services of professional fund investment managers.
- 3.06 The Foundation is being assisted by an advisor from the Community Foundation Network who has completed similar transfer processes with 30 local authorities across the United Kingdom including five local authorities based in Wales. Community Foundations across the UK have successfully assumed responsibility from local authorities for in excess of £30million of moribund, ineffective and active trust assets creating in excess of £1.3million per annum increased capacity of grant making to individuals and grassroots community groups. This person also acts as the Community Foundation's representative on

the Charity Commission's working group to liberate moribund and ineffective trust funds.

- 3.07 No other locally based organisation has been identified which has the relevant experience or expertise to deal with the release of such moribund and ineffective funds and their attaching assets, to deliver added value and the resulting benefits.
- 3.08 Transfer of the funds will require the absolute agreement of the Charity Commission and be subject to a Fund Agreement between the Council and the Foundation.
- 3.09 **Flintshire Community Endowment Fund**
A proposal detailing the objectives and administration of the Flintshire Community Fund is attached at Appendix 1.
- 3.10 The Board of Trustees of the Foundation will be the Trustees of the 'Flintshire Community Endowment Fund'. If the transfer takes place the Council will no longer hold any of the funds or their assets or be responsible for their distribution. The agreement of the Charity Commission and the Fund Agreement between the Council and the Foundation will set out the charitable purposes of the Fund.

The Trustees will be sought from local people who represent the County. There are likely to be between 6 and 8 Trustees appointed to the Board with deputies.

- 3.11 The capital sum of approximately £200,000 will form the initial capital fund with interest from the fund distributed by the Foundation as the 'Flintshire Community Endowment Fund' small grants programme. The amount available for distribution each year will depend on interest rates and other investment returns.
- 3.12 The Foundation will continue to identify possible sources of additional funds from local businesses and potential philanthropic individuals so that more money is available for distribution of grants by the 'Flintshire Community Endowment Fund' or to support the growth of the capital fund.
- 3.13 Initially, it is proposed to set aside up to £10,000 from the 'Flintshire Community Endowment Fund' capital for distribution in grants both in 2013/14 and in 2014/2015. It is believed that this will encourage donations from potential philanthropic individuals, companies, businesses and organisations situated within the County who will be attracted to contribute to a Fund which is capable of making an immediate impact in servicing the needs of the community. The combined total of up to £20,000 represents income accrued over many years from the moribund and ineffective assets in scope. The Charity Commission have formally supported this approach.

Income for grant distribution will be generated by investments. The Community Foundation in Wales currently has an Investment Strategy to institute proper guidelines for the management of investments held. If agreement in principle is granted Finance will continue to work with Officers from the Community Foundation in Wales to ensure effective controls are in place for proper stewardship of funds, and that principles of security, liquidity and yield are considered in the investment strategy.

In addition, arrangements will be made to monitor performance, the details of which will be outlined in the fund agreement.

- 3.14 In establishing the 'Flintshire Community Endowment Fund', the Foundation will set funding themes that are complementary to the Council's Community Strategy, to include:
- Safety, including crime and disorder
 - Sustainable neighbourhoods including the environment and housing
 - Prosperity, skills and jobs
 - Lifelong learning including early school years
 - Transport
 - Health and healthy living
 - Culture, arts and sports
 - Community cohesion including issues of race and disability
 - Improving the lives of people with limited resources
 - General charitable purposes which align to the Foundation's ethos of inspiring local giving.

- 3.15 For individuals a maximum grant award of £750 is proposed and for voluntary groups or charitable organisations could also apply for a maximum grant of £750.

Initially applications to the fund will only be received from applicants seeking support for educational purposes (to include prize awards, educational attainment and bursaries) thereby ensuring that the assets from the liberated moribund and ineffective trust funds are used broadly in line with their original objects. At the appropriate time communications to educational establishments across the County will be despatched announcing the launch of the 'Flintshire Community Endowment Fund' and the process for accessing grant funding whilst ensuring that grants will not be awarded if there is cross over with the Council's statutory duties.

- 3.16 The Foundation will publish guidelines and eligibility criteria for the 'Flintshire Community Endowment Fund'. A Grants Panel will be set up comprising of local people (to include nominees received from the Council, potentially comprising officers and elected members) which will assess all applications received and make funding

recommendations. Grant applications will be restricted to applicants residing within the County. The trustees of the Foundation, as the accountable body, will review and approve all recommendations made, in line with charity law. Applications which do not meet the criteria of the 'Flintshire Community Endowment Fund' will, wherever possible, be signposted to alternative funds available from other funding bodies or administered by the Foundation. This will assist in reducing the risk of applicants being disappointed.

3.17 When the 'Flintshire Community Endowment Fund' is established, information about the fund and application process will be circulated to all elected members, publicised on the Council and the Foundation's respective websites, and promoted in the local media and by appropriate community support networks.

3.18 **The Flintshire Community Endowment Fund Administration**

A one off establishment fee of up to 3% of the value of the assets at the time of transfer to be negotiated and agreed upon by the Council and the Foundation to represent the direct costs aligned to the work undertaken by the Foundation to establish the Fund and to liberate, through the Charity Commission, the moribund and ineffective trust funds in scope and their attaching assets. This fee is to be taken from transferring assets at the time of transfer. If the fund had been transferred on 31st March 2012 the 3% fee would have been approximately £6k.

3.19 The value of all assets held in the form of endowment will incur an annual management charge of 1.25% of the market value of the Fund.

3.20 The management and administration of the distribution element of the fund will incur a fee of 10% per annum of all income passing to the fund. This is based on interest earned and any one-off donations received

3.21 The transfer of funds such as these to the Community Foundation in Wales has been successfully implemented by a number of Councils in Wales: Powys, Wrexham, Cardiff and Newport. Denbighshire are currently in the process of transferring their funds.

4.00 RECOMMENDATIONS

4.01 To support an in principle agreement to transfer existing moribund trust funds to a newly established Flintshire Community Endowment Fund.

4.02 To include this Committee's considerations in a further report to Cabinet in November.

5.00 FINANCIAL IMPLICATIONS

As set out in the report.

6.00 ANTI POVERTY IMPACT

The Fund will seek to discharge the funds to support those who are disadvantaged; financially or socially.

7.00 ENVIRONMENTAL IMPACT

Environmental considerations can be built into the Trust's considerations for funding.

8.00 EQUALITIES IMPACT

8.01 The majority of the trust funds were originally established for education purposes including educational attainment, prize funds and bursaries. Establishment of the 'Flintshire Community Endowment Fund' will enable the liberated assets to be used for these purposes into the future.

9.00 PERSONNEL IMPLICATIONS

9.01 The transfer of these trust funds will release capacity amongst officers currently administering such funds.

10.00 CONSULTATION REQUIRED

10.01 Consideration of this Trust Fund is required by the Community Profile and Partnerships Overview and Scrutiny Committee.

11.00 CONSULTATION UNDERTAKEN

11.01 Consultation has been undertaken with various officers and Corporate Management Team.

12.00 APPENDICES

12.01 **Appendix 1: The Flintshire Community Endowment Fund: Proposal**

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS

None

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