

<b>CABINET</b>
----------------

## Charities Review 19<sup>th</sup> April 2011

### Report of Head of Governance

<b>PURPOSE OF REPORT</b>			
To consider options for the use of existing charity and trust funds for which the Council is responsible which are currently dormant.			
<b>Key Decision</b>	<b>X</b>	<b>Non-Key Decision</b>	<b>Referral from Cabinet Member</b>
<b>Date included in Forward Plan: 1<sup>st</sup> April 2011</b>			
<b>This report is public</b>			

#### RECOMMENDATION OF COUNCILLOR LANGHORN:

- (1) That Cabinet agree to transfer the Council's dormant charity and trust funds to the Community Foundation for Lancaster, which would establish a grant-making fund for the benefit of the District. In the event of Cabinet agreeing to transfer the funds, a decision would be required on whether to establish a new Grants Panel, or use one of the Community Foundation for Lancashire's existing Panels.

#### 1.0 Introduction

- 1.1 The Council currently holds nine dormant charitable funds, left in bequests and endowments, which have a total anticipated balance at 31<sup>st</sup> March 2011 of £32,743.14. The funds were brought to the attention of Council in a report prepared by the Overview and Scrutiny Civic Task Group in December 2006. The report recommended that dormant charities, bequests and endowments be brought back into active use. A list of the funds and their associated balances can be found at Appendix A.
- 1.2 The matter of how best to bring the dormant funds into use was further considered by Cabinet at its meeting on 20<sup>th</sup> January 2009. At that meeting a decision to consolidate the charities into five charities to be managed by Lancaster City Council was deferred until resources were available in Democratic Services to carry out the work required to set up and support the new arrangements.
- 1.3 Resources did not become available in Democratic Services to start this work and, on 6<sup>th</sup> October 2009, Cabinet considered a further report with a number of options. Members noted that the work was not a priority and, although

included in Democratic Services Business Plan, was unlikely to progress quickly. Cabinet also noted a concern as to the staffing capacity to manage the new Trusts once established. Members resolved to invite a representative of the Community Foundation for Lancashire (CFL) to meet the Head of Democratic Services and relevant portfolio holders.

- 1.3 The CFL is part of a national charity which distributes grants to local community groups and voluntary projects operating in Lancashire. To date, the organisation has given almost £8million to local causes in Lancashire, and they work with donors and invest ethically to maintain sustainable grant-making funds. A copy of the CFL's investment policy is attached at Appendix C.
- 1.4 On 9<sup>th</sup> February 2011 Councillor Langhorn, as the portfolio holder for finance, met representatives from the CFL with the Democratic Services Manager to discuss how the Council's dormant funds could be brought back into use for the benefit of the District. Details of the subsequent proposal are set out below.

## **2.0 Proposal Details**

- 2.1 The Community Foundation for Lancashire has offered to wind up the Council's dormant charities and establish a new fund with modernised objectives. This would be restricted to funding projects exclusively in the District, thus enabling the Council to address current community priorities whilst respecting the funds' original aims.
- 2.2 Fully trained by the Charity Commission, the CFL would lead on the process of transferring funds from the Council's accounts. This would include researching the trust funds' original governing documents and advising the Council on how to proceed in adherence to Charity Commission guidelines.
- 2.3 Upon completion of the assets' transfer, the CFL would undertake the administration and assessment of all grant applications to ensure due diligence, followed by clear monitoring and evaluation of each grant's impact. The charitable assets would become the CFL's legal responsibility, and be accounted for in their annual accounts. The Council would have the option to establish its own Grant Panel to make recommendations on funding, or to use one of the CFL's existing Grant Panels which consist of community leaders, local residents, and community sector representatives.
- 2.4 Rossendale Borough Council underwent a similar process in 2010, transferring their dormant trust funds to the Community Foundation for Lancashire. This brought over £100,000 back into active use, which is now supporting local causes as the 'Rossendale Community Fund'.
- 2.5 The Community Foundation for Lancashire would require a financial contribution of 1% of the capital value of the fund, to cover the costs of administering the grants programme. In addition, the fund would be ethically invested with the Foundation's professional investment managers, who would provide an annual report of their low-to-medium risk investment programme.

- 2.6 Full details of the proposal can be found within Appendix B of the report under section (f) “*Opportunities for Lancaster City Council*” as Option A – “*Wind up trust funds & establish a new endowment fund at the Community Foundation*”. An alternative suggestion was to create a ‘flow-through management agreement’ with the Community Foundation for Lancashire, also detailed under section (f) of Appendix B, as Option B. However, this has not been presented as the preferred option as the Community Foundation would request a financial contribution of 10% per annum, in an arrangement whereby the Council would remain responsible for the annual accounting and reporting of the charitable accounts.

### 3.0 Options and Options Analysis (including risk assessment)

	<b>Option 1:</b> To transfer the Council’s dormant funds to the Community Foundation for Lancashire	<b>Option 2:</b> To take no action
Advantages	Currently dormant accounts will be reactivated to fund good causes in the Lancaster district.	No known advantages
Disadvantages	No known disadvantages	Charitable bequests and funds would continue to lie dormant in the Council’s accounts, as opposed to supporting good causes in the District.

### 4.0 Conclusion

- 4.1 It is recommended that Cabinet agree to transfer the Council’s dormant charitable funds to the Community Foundation for Lancashire, which would establish a new endowment fund to support good causes exclusively within the District.

#### **RELATIONSHIP TO POLICY FRAMEWORK**

The recommendation supports the Council’s priority of providing strong community leadership and promoting partnership working to address local need, such as housing, health, children and young people, environment, education, social care and crime and disorder.

#### **CONCLUSION OF IMPACT ASSESSMENT**

**(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

Bringing the Council’s dormant charitable trusts into active use would support the Council’s Community Leadership role, and have a beneficial impact on charitable organisations in the District which successfully bid for funding.

#### **LEGAL IMPLICATIONS**

Upon the understanding the creation of the Community Foundation for Lancashire would satisfy the requirements of the Charities Act 2006 there are no legal implications arising from this report.

**FINANCIAL IMPLICATIONS**

The adoption of this report will not lead to any change in the current Revenue Budget.

**OTHER RESOURCE IMPLICATIONS**

**Human Resources:**

n/a

**Information Services:**

n/a

**Property:**

n/a

**Open Spaces:**

n/a

**SECTION 151 OFFICER'S COMMENTS**

The Deputy Section 151 Officer has been consulted and has no further comments.

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments.

**BACKGROUND PAPERS**

None.

**Contact Officer:** Peter Baines, Senior Democratic Support Officer

**Telephone:** 01524 582074

**E-mail:** pbaines@lancaster.gov.uk