

<b>Subject:</b>	<b>Establishment of Brighton and Hove Community Fund</b>		
<b>Date of Meeting:</b>	13 March 2017 – Neighbourhoods, Communities & Equalities Committee <b>23 March 2017 – Policy, Resources &amp; Growth Committee</b>		
<b>Report of:</b>	<b>Executive Director for Neighbourhoods, Communities and Housing</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Emma McDermott</b>	<b>Tel: 01273 291577</b>
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<b>Ward(s) affected:</b>	<b>All</b>		

**FOR GENERAL RELEASE**

**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 With diminishing resources available to the third sector both from statutory organisations such as the city council, Clinical Commissioning Group and from others such as the Big Lottery, the council has reviewed and modernised how it invests in the community and voluntary sector to deliver its aim of :

‘To ensure that the city has an increasingly efficient and more effective Third Sector; one that is ready and able to bid for and deliver public services, that enables citizens and communities to have a strong voice in decision making about public services and supports community resilience and well-being through independent citizen and community activity. That the council’s culture and systems enable a collaborative and productive relationship with the Third Sector making the best use of its flexibility, creativity and added value’.

Part of this modernisation is changing from the council grant making role to one of commissioning and enabling.

- 1.2 Through discussions with the community and voluntary sector, the Members Advisory Group, CCG colleagues, BHCC officers and the Charity Commission, the Communities, Equality and Third Sector (CETS) Team has developed and started to deliver a new Third Sector Investment Programme consisting of the following elements:

- Three year (2017-2020) Communities and Third Sector Commissioning Prospectus,
- Complemented by an annual BHCC Communities Fund

- 1.3 Alongside these service redesigns the CETS team has been exploring the benefits and risks of transferring some or all of the council held dormant and under-utilised endowment funds to Sussex Community Foundation to form a Brighton and Hove Community Fund. This would establish a strategic partnership

with a key local charity with the principal aim of using the transferred funds to generate and attract additional funding to the city, to enable community and voluntary endeavour that meets the needs of the city. This report explains the purpose of the fund, the benefits and the mechanics of establishing and delivering it.

## **2. RECOMMENDATIONS:**

- 2.1 That NCE committee recommend to Policy, Resources and Growth (PRG) Committee the approval of the closure of the trusts and the transfer of the endowments listed in appendix 1 to Sussex Community Foundation for the purpose of establishing the Brighton and Hove Community Fund as outlined in this report.
- 2.2 That NCE committee recommend to PRG committee that delegated authority be granted to the Executive Director of Neighbourhoods, Communities and Housing to take all steps necessary to action and complete the transfer.

## **3. CONTEXT/ BACKGROUND INFORMATION**

- 3.1 BHCC acts as a Trustee for a number of Trust Funds, some of which are active in distributing grants while some are dormant or under-utilised. The council absorbs all costs in connection with managing and administering these trust funds.
- 3.2 Nationally there is a well-established model, fully supported by the Charity Commission, by which local authorities' partner with Community Foundations to regenerate these Funds by combining dormant and under-utilised funds into a single 'Community Fund' and transferring them to a Community Foundation.
- 3.3 There are 45 community foundations in the UK, which are members of the UK Community Foundation (UKCF) the national charity for community foundations. Between them they manage over £500 million of endowments and give grants worth £65million every year. The Charity Commission has endorsed community foundations as a vehicle for bringing dormant charitable trusts back into active community benefit. Over £35million of dormant charitable assets have been transferred from local authorities to community foundations across the UK.

## **4. Brighton and Hove Community Fund (BHCF)**

- 4.1 Most of the Trust Funds held by the council originate from legacies left many decades ago. The Trusts range from very small sums of money that haven't been allocated for many years and whose objectives are very out-dated, for example, the Lewis Bequest which has a total value of £72,275 which generated £2,378 income in 2014/15 and has made no expenditure in the last five years; to larger endowments whose objectives have been updated and are actively distributed for example the Hedgcock Bequest Fund as part of the council's annual grants programme.
- 4.2 The proposal is to create a single 'Brighton and Hove Community Fund' to administer the assets of relevant funds (those set out in appendix 2) in a way which embraces the spirit of the original gifts. If agreed, the process will involve

following a formal protocol established with the Charity Commission for England and Wales to facilitate the dissolution of relevant charitable trusts and the transfer of their assets to the BHCF.

- 4.3 It is proposed that the eleven trusts and bequests listed in appendix 2 will be closed down and their assets transferred to the SCF for the benefit of the BHCF. The Charity Commission has already provided their ‘in principle’ support for this proposal and for the future use of the assets in accordance with modernised objective. The objectives of the BHCF would reflect the original intent of the bequest/trust but with more up to date outcomes relevant to the lives of children and young people today and the ambitious of the council’s library service.
- 4.4 The intention is that the BHCF would be established as an umbrella fund in order that additional objectives may be created as additional donors/funding are secured. For example, exploration of the possibility to set up an objective for the support of community and voluntary sector activity to reduce and prevent homelessness, diverting individual giving directly to street community and or rough sleepers. Also, consideration of the Fairness Commission recommendation that:

‘Brighton & Hove Connected should work with Sussex Community Foundation to establish a city endowment fund to support projects that help alleviate poverty in the city’.

- 4.5 The intention is that the BHCF would make grants under the following two objectives:

- Awards to community and voluntary organisations supporting children and young people across Brighton and Hove
- Awards to support aims and objectives of libraries

The BHCF would, at all times and under all circumstances, be used exclusively for the benefit of the community in Brighton and Hove. This restriction would be included in the funding agreement.

### **Sussex Community Foundation (SCF)**

- 4.6 SCF is a Community Foundation<sup>1</sup> and is the only charity in Sussex with proven track record and sufficiently wide-ranging charitable objectives to undertake the full range of activities required to manage these trusts and to ensure maximum

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<sup>1</sup> Community Foundations are instruments of civil society designed to pool donations into a coordinated investment and grant making facility dedicated primarily to the social improvement of a given place. They are a global phenomenon with 1700 existing around the world. The six main characteristics of a Community Foundation are:

1. Act as grant-making foundations – e.g. give grants to support development projects
2. Their mission broadly defined (e.g. to improve quality of life in a community)
3. Serve geographically defined communities – a city, state, region, district or province
4. Are supported by a broad range of private as well as public donors and seek philanthropic contributions primarily from inside the community
5. Are governed by multi-sectoral local boards reflecting the community
6. Build capital endowment, which is an important element of sustainability

benefit to the local community for the very long term.

- 4.7 SCF was set up to manage a diverse range of restricted endowment funds, and to match the charitable intentions of the original donors with the needs of the community. The charity’s objects are “the promotion of any charitable purposes for the benefit of the community in the counties of East Sussex, West Sussex and the City of Brighton and Hove”, and it has the power to hold endowment and to make grants for any charitable purpose in the area of benefit. SCF has a unique track record in managing restricted endowment funds and in giving grants to the local community.
- 4.8 Since being set up in 2006, it has grown an endowment of £11.5 million, made up to 50 restricted funds, each with their own charitable purposes and with varying levels of donor involvement. However, 20% of its endowment has come from transfers of dormant or under-utilised charitable trusts. The Foundation has given £10million in grants across Sussex. It has a particularly strong track record of supporting the community in Brighton and Hove, having awarded £2.9million to 435 different charities and community groups in the city (2015).
- 4.9 The total endowment that SCF holds for the benefit of Brighton & Hove is £5,249,862 (including funds that benefit a wider geographic area).

<b>Value of endowment Sept 16</b>	<b>Geography</b>			
<b>Source</b>	<b>B&amp;H Only</b>	<b>Inc B&amp;H</b>	<b>Other</b>	<b>Grand Total</b>
<b>New</b>	£1,045,134	£3,079,782	£5,216,072	£9,340,987
<b>Transfers</b>	£149,952	£974,995	£1,142,851	£2,267,798
<b>Grand Total</b>	<b>£1,195,086</b>	<b>£4,054,776</b>	<b>£6,358,923</b>	<b>£11,608,785</b>

### **Managing and Growing the Endowment**

- 4.10 There will be a number of ways by which SCF will grow the value of endowment for Brighton & Hove. These are as follows:
- a. By donors setting up their own Named Funds alongside the BCHF – with donations of £25,000 and above
  - b. By transfers of dormant or under-utilised trusts (other than those held by BHCC)
  - c. Through smaller legacies bequeathed for the benefit of the City
- 4.11 The new fund is a great opportunity for SCF and the City Council to work together creatively to maximise the long term impact of giving in the City. We will also look to see if other statutory bodies hold endowment funds, work with community benefit funds associated with major developments, and encourage the larger employers in the city to publicly support their local communities.
- 4.12 SCF’s endowments funds are currently managed by two investment managers – CCLA and Sarasin LLP, both of which specialise in managing investment on behalf of charities. SCF trustees receive a quarterly report on the investment performance from both advisors and compare performance of each advisor with an agreed benchmark which reflects the overall market for investment of

charitable funds. The trustees are satisfied that both advisors are working within SCF's ethical stance and are achieving a strong rate of return compared to the charity investment market. All endowment funds transferred to SCF are managed in accordance with the charity's investment policy.

- 4.13 SCF's Ethical Investment Policy has been reviewed by BHCC finance officers who concluded that it seems reasonable and seeks to strike a balance between risks and rate of return.
- 4.14 SCF provides each fund holder with a quarterly statement to include capital value, investment income, capital growth and grants awarded.
- 4.15 The transferred endowment would be invested as part of SCF's larger endowment to maximise investment returns. Also, the majority of the cash currently held at bank by the council and under-utilised would be invested. However, the fee of 2.5% (estimated at £23,600) would need to be deducted from any investment income in the first year and then a 1.5% fee from subsequent years. The investment income will need to increase to offset these costs.
- 4.16 Appendix 2 illustrates how the current trust funds would be grouped in the new Brighton and Hove Community Fund and the anticipated grant fund available.

## **5. Grant Making through the BHCF**

- 5.1 SCF already has a well-established and well-known grant making function. SCF would promote the new fund through its established relationships with CVS infrastructure organisations and networks in the city. For applicants and grant recipients, SCF would provide telephone and email advice regarding application, implementation and monitoring of their projects.
- 5.2 Decision making on bids to the BHCF for the Children & Young People's Fund would include consideration by a grant panel made up of elected members from the political groups of the city council and SCF trustees. This panel would be administered by SCF. Grant applications would be assessed by the SCF grants manager and their recommendations would be presented to the panel for deliberation and final recommendation. The decisions of the panel would have to be ratified by the SCF trustees as SCF would be the accountable body for the fund. The council would hold no decision making authority.
- 5.3 It is anticipated that the relevant elected members currently involved in the children and young people trusts would join the panel. However it would be the prerogative of each political group to confirm their nominee. The intention is that the panel membership would be reported as part of the Annual Council appointments to member groups/outside bodies.
- 5.4 It is proposed that the Members Advisory Group would retain oversight of the delivery of the BCHF and the partnership between the council and SCF as part of its oversight and advisory role with regards to the council's Third Sector Investment Programme.
- 5.5 SCF would take advice from an appropriate Council Officer regarding expenditure from the Libraries Fund. Discussions are taking place about the possibility of using this fund as a focus to raise further donations for libraries.

SCF would receive donations, claim Gift Aid, and work with the appropriate Council Officer to agree how funds would be used each year.

- 5.6 The decision making processes outlined above would be included in the fund agreement between the BHCC and SCF.
- 5.7 A benefit of SCF holding the BHCF is that should an applicant to the BHCF be unsuccessful it can be re-routed to the myriad of other funding streams administered by the SCF.
- 5.8 There would be one deadline each year – January – for delivery in the immediate forthcoming financial year. This would fit with groups annual planning processes. A special arrangement would be made for 2017/18 to accommodate the date of transfer and ensure groups had the opportunity to bid for funding in 2017/18.
- 5.9 With regards to the funding for library activities, SCF will work with a designated officer within the council to ensure the annual income is spent appropriately.
- 5.10 SCF would provide the city council with:
  - Quarterly statement of the account to include the capital value of the Fund, performance of investments, new donations received and grants awarded
  - Annual Fund Report to include case studies and monitoring reports on grants awarded from the fund, activities undertaken to attract new funds for Brighton & Hove, and additional endowment donations received.
  - Appropriate publicity, from time to time, regarding the Fund performance and in particular the individuals and projects it supports
  - Accountability to the public through the Foundation's Accounts & Annual report, Public meetings, website etc.
  - The opportunity for representatives of the Council to attend Foundation events and meetings, as appropriate.

## **6. Cost of the BHCF**

- 6.1 The council would incur no direct costs to the General Fund in establishing the BHCF or in delivering and maintaining the arrangement. The costs as outlined in paragraph 6.2 and 6.3 below will be met from within the income and cash held held at bank (which will be transferred with the endowment). SCF will draft all legal documents required by the Charity Commission, subject to the satisfaction of the City Council's legal team, to transfer and close the Funds and establish the BHCF.
- 6.2 A one-off contribution of 2.5% of the value of transferred assets would be payable to the SCF in the year the funds are transferred (2017/18). This would equate to £23,628 based on 2015 valuation (see appendix 2). This would be for professional advice on closing down trusts and establishing the Community Fund with SCF including establishment of the endowment fund and agreements with investment advisors, establishing grant making procedures and systems, promoting the fund to potential applicants, and launching SCF's strategy to raise additional funds for the city. The costs will predominantly be legal and senior SCF management time.

6.3 The following year (2018/19) and thereafter there is an on-going administration cost of up to 1.5% of the capital value per annum. This would be taken annually on 1<sup>st</sup> April each year. The fee would be deducted from the combined investment and interest to be decided by the SCF Board to maximise the amount of grant funding available whilst protecting the investment. The annual contribution will cover the cost of managing the investment, grant making including monitoring and reporting to the city council. Based on 2015 valuation this would be in the region of approximately £13,822 (see appendix 2).

## **7. Cashable and Non-Cashable Benefits of the Partnership**

### **7.1 Cashable Benefits**

7.1.1 By entering an agreement with SCF that it will steward the BHCF it will reduce the cost to the council of this administrative burden providing the opportunity to either make a cashable saving or realistically reallocate staff resources to achieving other priority outcomes.

7.1.2 As part of the transfer the SCF will endeavour to grow the fund by at least an additional £1million over ten years. Through its ongoing development work, which will be boosted through the annual administration contribution from BHCF, the SCF routinely makes links with a broad spectrum of potential donors who will be willing to contribute to the fund although this maybe an individualised funding stream under the umbrella of the BHCF. This ability to draw in additional donors to establish funding streams under the banner of BHCF is a one of the key benefits of the transfer and also an activity that the council is not currently resourced deliver.

7.1.3 The Foundation will commit itself to a long-term strategy to raise additional endowment funds for Brighton & Hove without additional cost to the City Council. This strategy will include:

- Allocating staff and trustee time to active fund development in Brighton & Hove
- Holding at least one fund development event in the City each year
- Specific development work with high net worth individuals and companies in the city
- An active programme of work with Professional Advisors in the city in order to attract referrals of legacies, dormant trusts and high net worth individuals

### **7.2 Non-Cashable Benefits**

7.2.1 Through the BHCF the council has the opportunity to invest in the long term sustainability of a local voluntary sector organisation. As the council shrinks in size in terms of staff and budget the SCF provides a sustainable option to modernise and expand grant-making to Brighton and Hove community and voluntary sector organisations and groups, especially grass roots organisations.

7.2.2 Applications to the BHCF that are unsuccessful will have the benefit of being automatically re-routed, if they are eligible, to the other SCF funding streams as well as still being eligible to apply to the council's new Communities Fund.

## **8. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

- 8.1 A new Trust Fund – the Brighton and Hove Community Fund - could potentially be created, managed and administered by the city council. This would require continued investment of, the same and most likely more time from predominantly the finance, communities, equality and third sector and legal teams, in particular if it was decided that the endowment should be more actively invested and distributed. The current cost in staff time is approximately £17,500 based on staff resources (across the several teams involved) required to administer all the council's know endowments and bequests including larger ones such as the Brighton Fund and Hedgcock Bequest.
- 8.2 The benefits are that this could be delivered as part of an integrated third sector investment programme alongside the BHCC Communities and Third Sector 2017-2020 commissioning prospectus and BHCC annual Communities Fund. This not only offers a diversity of funding streams but also retains flexibility and control within the council to respond to future budget savings and/or service redesigns.
- 8.3 However this limits the council's opportunity to slim down its own staff body and or release capacity of staff to focus on council's key priorities. Moreover, additional resource would be required to undertake the development work of identifying and securing donors to add or complement the Brighton and Hove Community Fund. The approach proposed helps establish a complementary offer to the council's own third sector investment programme that maximises skills and resources in the council and the Foundation.

## **9 COMMUNITY ENGAGEMENT & CONSULTATION**

- 9.1 The cross party Members Advisory Group (MAG) overseeing the council's discretionary grant programme and the transition to the third sector investment programme has been informed and consulted on the proposal in this paper and requested further evidence from SCF to ensure a robust option is created. The MAG is supportive of the transfer of the endowments listed in appendix 1 as a first phase in developing a working relationship with SCF. This allows us to manage any associated risk with the transfer and offers SCF the time to deliver proof of concept and gear up to the delivery of potential additional objectives under the fund as described in paragraph 4.4.

## **10. TIMELINE AND CONCLUSION**

- 10.1 Assuming approval by PRG Committee to the closure of the trusts and transfer of the funds is forthcoming, based on experience of other local authorities it is anticipated that drawing up the funding agreement between the council and SCF, establishing the new BHCF trust with the Charity Commission and arranging the transfer of the funds and their reinvestment will take approximately 6 months. During this time SCF will be designing, in consultation with the council's Communities, Equality and Third Sector team, a process by which to provide CYP grants in 2017/18.
- 10.2 The CETS team will be responsible for monitoring delivery of the proposal and co-ordinating the possibility of other council held trusts/bequests being transferred in the future. The development of future objectives (referred to in



paragraph 4.4) of the Brighton and Hove Community Fund will be developed by SCF in liaison with the CETS team and other relevant BHCC services, for example, Housing and Community Safety.

## **11. FINANCIAL & OTHER IMPLICATIONS:**

### Financial Implications:

- 11.1 The proposal has two main financial implications. Firstly the aim to generate more income through investment of these funds in order to maximise the funds available for awarding grants. This is discussed in paragraph 11.2 below. Secondly, the proposal will reduce the staff time taken to administer these funds.
- 11.2 This report recommends transferring the endowments listed in Appendix 2 for which the Council acts as trustee, to the Sussex Community Foundation (SCF) and to establish the Brighton and Hove Community Fund (BHCF). The SCF propose to take a one-off fee in the first year of 2.5% estimated as £23,628 and will charge 1.5% for subsequent years estimated as £13,822. The fees will be taken from the investments earnings, thereby reducing the sum available to fund grants, This will depend on the success of the investment decisions made by SCF. The trust funds to be transferred generated on average £3.4% under the Council. So, in order for this decision to be cost effective, the fund would need to generate at least this sum plus the annual fees amount, equating to a 5.9% return in the first year or 4.8% return in subsequent years as shown in Appendix 2. Therefore if investment returns are lower than this, the money available for grants will be reduced. As the report discusses, the funds will be actively managed and the SCF will aim to generate more investment income to enable more grant funding. The funds will be invested as part of SCF's larger endowment to maximise investment returns. The SCF will also aim to grow the value of the endowment for Brighton and Hove as outlined in paragraph 4.9.
- 11.3 There are inherent risks associated with investing of funds on the stock market. The Council has to adhere to stringent rules on the types of investment it makes, adhering to the prudential code on borrowing and reducing the risk of financial losses. However, the Ethical Investment Policy of SCF has been reviewed and found to strike a balance between risks and rate of return.
- 11.4 A review of the staff time taken to administer all of the current trusts has estimated the cost to be £17,500 relating to small amounts of staff time across a variety of teams. Therefore the cost of administering the endowments listed in Appendix 1 will be a small proportion of this. So transfer of these funds will have the additional benefit of saving some staff time which is critical at a time of shrinking staff resources.

*Finance Officer Consulted: Monica Brooks*

*Date: 15/02/17*

### Legal Implications:

- 11.5 It is noted that these proposals follow on from the review of the authority's Third Sector investment arrangements agreed by this Committee in July 2015 and informed by detailed CVS consultation and the findings of the Fairness Commission. Combining the trust funds administered by the authority into a

single Community Fund and transferring it to the SCF would involve adopting an established model to modernise the way in which the Council delivers its investment in the community and voluntary sector. While transferring endowment funds to an external partner must necessarily generate risk, the SCF is a fully accredited grant maker and endowment funds manager with a well-established track record.

- 11.6 A formal detailed proposal was submitted to the Charity Commission in October 2015 to ensure that the option outlined here was available to the city council. The Charity Commission has sanctioned the proposals outlined here 'in principle'.
- 11.7 The legal work required to establish the BHCF and to close the current funds and to transfer the assets into the new fund would be undertaken by the SCF, with BHCC's lawyers providing limited input. Although legal resources would be required to review the fund agreement, this proposal is considered likely to reduce the legal input currently needed to maintain the status quo.
- 11.8 It is considered that in order to demonstrate that the Council is discharging its responsibilities as a trustee effectively by endeavouring to achieve best value, efforts will be made to seek a waiver before proceeding with a single provider. The waiver would need to evidence that SCF are the sole provider in the market that have the expertise to deliver the aims of the proposal, giving due regard to value for money and other risks.

*Lawyer Consulted:*

*Victoria Simpson*

*Date: 07/02/17*

Equalities Implications:

- 11.9 An Equality Impact assessment has been completed for this proposal see appendix 3

Sustainability Implications:

- 11.10 The proposal is seeking, at no direct cost to the General Fund, to make better use of currently under-utilised resources, to provide an ongoing funding stream for, in the first instance CVS organisations/groups supporting children and young people and libraries.

Any Other Significant Implications:

- 11.11 In the event of a dispute between the SCF and BHCC to the transfer agreement the matter would be addressed in line with Sussex Community Foundation's Complaints Procedure as currently in force. If this failed to reach a resolution, the City Council or their representative may refer the matter to the Charity Commission.

Crime & Disorder Implications:

- 11.12 None

#### Risk and Opportunity Management Implications:

- 11.13 In the event of Sussex Community Foundation ceasing to exist, any remaining funds would be transferred to another charitable organisation having similar objects, on the condition that they retain the restrictions outlined in the transfer agreement and ensure that funds are exclusively used to benefit the community in Brighton & Hove.
- 11.14 The eventuality considered in paragraph 7.5.2 is considered to present a low risk given that since being set up in 2006 the SCF has grown an endowment of £11.5million, made up to 50 restricted funds, each with their own charitable purpose and with varying levels of donor involvement. The Foundation has also given £10million in grants across Sussex. It has a particularly strong track record of supporting the community in Brighton and Hove having awarded £2.9million to 435 different charities and community groups in the city.
- 11.15 Presents a significant opportunity to build a stronger partnership with local charity that can and will lever in inward investment to the city for the benefit of local residents, with no cost to the council.

#### Public Health Implications:

- 11.16 The proposed transfer should have positive benefits to public health in the city through increased funds being available to community activity which benefits young people. It is expected that the young people's fund would support a wide range of projects including those which promote healthy lifestyle choices or improve access to health services for young people.

#### Corporate / Citywide Implications:

- 11.14 By enabling the establishment of the Brighton and Hove Community Fund the city council is providing a platform for Sussex Community foundation to attract and grow funding for community and voluntary endeavour across the city. There is potential that other public sector organisations holding dormant or under-utilised trusts/bequests might consider transferring to the new Brighton and Hove Community Fund. SCF will be approaching the other public sector bodies on this matter.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Appendix 1 Trusts in scope and their treatment
2. Appendix 2 Grouping and use of the trusts
3. Appendix 3 Equality Impact Assessment