

THE LEEDS COMMUNITY FOUNDATION

SETTING UP A NAMED FUND

1. BACKGROUND

The aim of the Leeds Community Foundation is to improve the quality of life of local people. We do this by encouraging local giving. Our focus is on building better and stronger communities for future generations to come. We provide an efficient and simple way for donors to make a long-term difference to the communities in which they live and work by setting up and then managing charitable funds on their behalf. We also act as a “broker” for local organisations to help them access these grants.

2. NAMED FUNDS

One of our most popular and, perhaps, unique features is our ability to set up a “named fund” which is a simple alternative to establishing an independent charitable trust. It is quick to establish, extremely flexible and very donor-friendly, allowing you to have as much interest in the grant-making process as you choose. We handle all the administration of the fund and the grants that you make, reporting to you as regularly as you choose. In return for this tailor-made service we make a small management charge to cover our costs.

The process of establishing a named fund begins with a meeting with our Chief Executive. We would go through all the various aspects involved in named funds and find out more about your own interests and needs. Following this meeting we would submit a formal proposal to show how we can help, based on the discussions we have had. The key things that you need to decide are: how much you would like to donate, and how (cash, shares, via a legacy etc); what causes you would like to support; how much involvement you would like in the actual grant-making. The Leeds Community Foundation does the rest.

3. GUIDE TO ESTABLISHING A FUND

The following key steps are involved in setting up a named fund:

Name

We would discuss the various options for naming a fund which can be after an individual, a family, a company or an organisation.

Beneficiaries

Our general guidelines are that the cause must be based in Leeds or must support activities that take place in Leeds (although we have flexibility to give further afield). We tend not to support major national charities or general appeals but direct donations to community, voluntary and not-for-profit groups working in and for the local community in the Leeds area.

A named fund with the Leeds Community Foundation can be as flexible as you would like it to be and there are a number of options for you to consider.

- Unrestricted Fund. This is when a donor just wants to support worthy causes in Leeds and has no particular preferences. In these instances the Foundation would assess the applications and would choose a number of projects that we believe are most deserving of support. Donations would then be made, in your name, but you would not have any input into the selection process. You would rely on our knowledge and experience and we would be able to respond to new challenges and social concerns as they arise – some of which may not be foreseen today.

- Field of Interest / Themed Funds. You may have a particular interest in a certain part of Leeds. Perhaps some causes appeal to you more such as the environment, youth, elderly, health. You may only want to support capital projects, use your funds to buy equipment, make 1-2 large grants or 10-20 smaller ones. All these options would be discussed with you and your decisions would be incorporated into any agreement. You can also change your mind about what you would like to support, over time. We would suggest that you do not restrict your field of interest too much or be too narrow as we may not be able to find enough potential beneficiaries for you to support. We will be establishing our own Themed Funds as well, focusing on issues such as youth, elderly, the environment etc.
- Directed Funds (donor-advised). You may already have a good relationship with certain charities that you want to continue to support. In this case we need a written instruction from you, specifying the charity name, the amount of the donation and the length of time you wish to support them. Whilst our trustees are bound by this instruction, we also have the flexibility to vary it if, for instance, the charity is no longer in existence or their circumstances change.

Your involvement

The second element of flexibility surrounds your own involvement in the grant-making process and it is linked with the type of fund you wish to set up. You may be happy with determining what kind of causes you would like to support and giving the Foundation the discretion to decide which specific projects to fund. Part of the fun of making grants, however, is being involved with the decision making process and seeing, at first hand, what effect your support is having in the local community.

If you are setting up an Individual or Family named fund, for instance, you might want us to come and visit you on an annual basis (or more frequently) to talk about some of the key projects we believe you will be most interested in. A company might want to set up a staff committee which takes the decisions about which projects to support. You may wish to make site visits either before agreeing to support a project or to hand the donation over in person.

Endowment or Flow Through

There are two distinct types of named fund – Endowment and Flow-through.

- A named endowment fund gives permanence to your donation and demonstrates your longer-term commitment to the local community. We invest your donation with an agreed rate of income that is available, annually, for distribution in grants. Our aim is to both protect the capital and have some income for distribution so the rate will vary from year to year. The actual amount you have to distribute annually will depend on the sum invested so we suggest a minimum entry level of approximately £50,000 but this does not have to be donated in one lump sum. Some donors choose to make regular annual payments, with the fund becoming active when it reaches a certain level.

You can set up a named endowment fund at a lower level, from £10,000, but we would ask that this is directed towards one of the Foundation's own Field of Interest funds (focusing on issues such as Youth, Elderly, the Environment etc). In these cases the Foundation's grants panel would be responsible for deciding which causes to support within these categories.

- The entry level for a flow-through fund is £10,000. This is when an individual, company or organisation donates a specific sum of money that is then awarded in grants over a 12-month period. Donors are encouraged to make regular annual contributions to the fund to stop it being wound up.

- You might wish to set up a combined fund. This is very appealing for donors who want to build up a substantial endowment fund, over time, but who also want to make grants on an annual basis as well.

Each named fund is opened with an initial donation and we will then work, with you, to help the fund grow over time. Some donors choose to make regular annual donations. Others top-up their regular donations with one-off contributions – perhaps as a result of a staff fundraising event, by asking for donations in lieu of gifts at a special event or anniversary or as a result of your receiving a bequest.

Management

The Leeds Community Foundation provides a tailor-made and very personal service. Once you have set up a fund you will have a named contact within the Foundation who will be responsible for liaising with you and answering any queries.

We aim to meet with all our donors, on a personal basis, at least once a year but we tend to meet more regularly than that, particularly when the donor is involved in the grant-making. In addition we send you quarterly statements and an annual review of your fund, together with newsletters and other updates during the year.

Publicity

We provide the following publicity opportunities for you (or you can choose to be anonymous):

- An initial press release on the establishment of your fund
- Press releases, on a quarterly basis, when we distribute grants. These would refer to grants made in your name but we would, on occasions, try to set up special photo shoots for specific projects as well.
- Credits in our Annual Review with details of any grants that have been distributed

Some donors like to have a specific promotional leaflet about their fund. We are happy to arrange for this but would need to make a small, additional charge to cover design and print.

Governance

The Leeds Community Foundation is a registered charity and a company limited by guarantee. We have an elected board of Trustees / Directors who come from all walks of life, bringing a wide range of experience to our activities.

We are responsible for ensuring that we meet all the legal and financial requirements demanded by the Charity Commission, Inland Revenue and other bodies.

We invest all endowed funds in our general portfolio. Their value is tracked to provide quarterly income for distribution, much the same as in a unit trust. In common with many other charitable trusts we operate a total returns policy which allows some market growth to be taken as income.

The final responsibility for all grant-making decisions made from any of the funds managed by the Foundation rests with its Board of Trustees.

Management Charges

In order to cover our own costs in managing your funds, we make a small charge to cover investment management, grant assessment and administration. This is based on the size and type of your fund – a significant endowment fund attracts a lower percentage charge than a smaller flow-through fund, for instance.

Currently, the charge for endowed funds up to £100,000 in size is 1% of market value per annum. Flow-through funds incur a charge of up to 10%. You can choose to cover this charge by making a separate donation or we can take it out of the capital sum you have donated.

The donation

Where possible we encourage all donations to be made in a tax-effective manner, usually by Gift Aid. This means that we can claim back £2,820 for every £10,000 donated, at no extra cost to you. Higher rate tax-payers can also recover a further 18% of their donation through their annual self assessment return. If you decided to donate £25,000 to the Leeds Community Foundation under Gift Aid, we would be able to claim a further £7,051 from the Inland Revenue. If you are a higher rate tax-payer you can then claim a £5,769 rebate so the final cost, to you, will be £19,230. You may choose, therefore, to donate £32,500 to us and receive a rebate of £7,500 so the final cost, to you, is £25,000.

We can also accept gifts in cash, shares, land, property or any other asset that produces a regular income. These can also be made in a tax-effective manner. Some donors choose to set up a named fund via a legacy donation in which case the fund might be called the Joshua Tetley Memorial Fund.

Benefits

The key benefit of establishing a fund with the Leeds Community Foundation is knowing that you are making a significant and lasting difference to the local community. There are a number of benefits that we believe named funds have over and above the establishment of a charitable trust as detailed below.

	Setting up a charitable trust	Establishing a Named Fund
Set-up procedure and costs	You must apply to the Charity Commission and register as a charity. This can be time-consuming and costly.	This is based on a simple agreement with no start-up fees or costs.
Investment, audit, accounting and tax	You must fulfill financial and administrative requirements or contract or hire staff	We handle all the financial and administrative management, prepare the audit and report to the Charity Commission
Grant management	You should research and check the activities and status of all recipient organisations.	We verify the status of all potential grantees as well as reviewing their activities. Donors can be as involved as much or as little as they want in the grant-making process.
Privacy	You are required to keep public records	We can maintain the anonymity of any donor and can act as a valuable buffer between donors and grant-seekers
Profile	You are responsible for your own profile	We can help raise your profile in the community by making grants in your name and featuring your fund in our key publications

For further information, please contact:

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