

The Lambeth Libraries and Lifelong Learning Fund

Introduction

This paper outlines proposals for the establishment of 'The Lambeth Libraries and Lifelong Learning Fund'.

- The vision is of a permanent endowment fund that will be used to promote literacy, reading and learning for current and future residents of the London Borough of Lambeth. An annual income from the endowment will be made available to charities, and social/community enterprises that are delivering safe spaces, services and activities which promote literacy, reading and lifelong learning.
- It is proposed that the fund would be opened with an initial investment of £10 million from Lambeth Borough Council and that it would be open for future donations both from public and private sector.
- The fund will be held by The London Community Foundation (Registered Charity 1091263) and form part of The Lambeth Community Fund, with a governance structure that allows for transparency, independence and local involvement in decision making.

We see these as first stage proposals and would welcome discussion to help develop these proposals further in order that they meet local priorities.

About The London Community Foundation

The London Community Foundation makes a difference to the lives of Londoners by connecting people who need help with those who are willing to give. We are dedicated to improving the lives of London's most disadvantaged. Child poverty, unemployment, isolation, homelessness, domestic violence and gang crime are just some of the issues we are tackling through our grant making. With the generosity and involvement of our donors, we have invested over £45 million into more than 8,000 charitable projects across the capital since we started in 1995. In the last year alone we distributed grants totalling almost £4.3 million and touched the lives of approximately 130,000 Londoners. The London Community Foundation is dedicated to growing our endowment funds, creating a long term, sustainable source of funding for our communities for years to come. Our current invested endowment fund totals close to £17 million.

The London Community Foundation runs programmes for a range of donors (corporate, individual, foundation and statutory) and specialises in reaching and funding smaller charities and community organisations. Our fund holders and partners include Comic Relief, Peabody, Affinity Sutton Housing, Lambeth Council, Westminster Council, Hammersmith & Fulham Council, The London Evening Standard, Land Securities, Deutsche Bank, Prudential, Lend Lease, Santander and many others.

We are a registered charity (number 1091263) and Company Limited by Guarantee (number 4383269) governed by a Board of Trustees and a member of the UK's Community Foundation Network – the membership body for the 48 Community Foundations in operation. In 2014 The London Community Foundation once again gained quality accreditation status, awarded by UK Community Foundations and endorsed by the Charity Commission. This demonstrates that we are serious about quality and accountability.

Standards include five key performance areas plus a corporate assessment.

- Definition and governance
- Finance and risk
- Donor services and development
- Grant making
- Community engagement and communications

Being part of a national network allows us to share best practice and expertise and deliver philanthropy services on a national scale. Collectively community foundations across the UK currently hold over £450 million in endowment funds for community benefit and as a network we were recently cited as the 12th biggest UK funder both in terms of grantmaking and endowment held.

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Our work in Lambeth

We have a long history of working in the borough. The Foundation began as the South East London Community Foundation working in Lambeth, Southwark, Lewisham and Greenwich. Whilst we now work across the capital, Lambeth remains our heartland and we believe that our London wide remit brings benefit to our local work, both in Lambeth and in other areas. In 2008 the Pedlar's Acre trust was transferred from the trusteeship of the Lambeth Council to The London Community Foundation having been identified as being under-utilised. This transfer served as a catalyst for a different and collaborative approach to grant-making in the borough and the creation of the Lambeth Community Fund.

In the last three years alone we have awarded £821,017 in 139 grants from The Lambeth Community Fund and the current endowment (including the Portuguese Fund) total stands at over £3 million. This will ensure a source of support for community organisations well in to the future. Whilst the Lambeth Community Fund is a vital part of our work in the borough we have several other donors and funding programmes awarding grants to groups in the area. Total grants awarded in the borough in the last three years stands at £2,148,394 (i.e. £ 1,327,377 on top of the grants from The Lambeth Community Fund) showing the benefit of our work in Lambeth being part of a broader capital wide remit. Highlights in this area have been the launch of our Building Communities in Coldharbour initiative which was runner up in the DSC Social Change Awards 2014 and securing additional funding from Office for Civil Society/Evening Standard to further the work of the Lambeth Community Fund around pathways out of gang involvement. Whilst we are extremely proud of our work in Lambeth we continue to see a great need for our funding and applications for grants outweighs the funding we have available by more than 3:1.

Why set up an endowment fund?

An endowment fund is an invested fund where the income and real capital gain (i.e. in excess of inflation) is used every year to fund charities and community groups tackling a particular issue. So the fund is managed to maintain its real value over time, ensuring that it will continue to grow for generations to come, supporting current and future beneficiaries. Establishing 'The Lambeth Libraries and Lifelong Learning Fund' as an endowment will:

- Provide a **sustainable source** of funding that can promote literacy, reading and learning year on year.
- Ensure a **strategic approach** to funding with the ability to make multi-year commitments in an otherwise volatile funding environment.
- Make a **greater impact** over time than the original capital would have made as a one-off investment.
- Demonstrate a **long term commitment** to the community
- Provide a **platform for leverage** where other donors could get involved over time.
- Allow for **flexibility** to respond to changing needs and priorities

Endowment funds are widely regarded as a sustainable and strategic approach to supporting local communities and priorities over time.

The Proposal

It is proposed that the endowment will be established with an initial donation of £10 million. An annual income from the endowment will be made available to charities, and social/community enterprises that are delivering safe spaces, services and activities which promote literacy, reading and lifelong learning.

Fund management and investment.

1. The Fund would be ring-fenced in our accounts and administered as a named fund of The London Community Foundation. This means that it would be protected in law for the purpose for which it was originally set up.
2. We have two investment managers, Sarasin & Partners and CCLA both of whom are experienced with charitable investments. The Fund would be invested with one of the managers and their performance monitored by our Finance and Investment Committee. For the purposes of this proposal, we have obtained figures and commentary below from CCLA to show possible returns from the Fund if it were invested in their COIF Investment Fund. The assumptions in these models are:

- Average annual total nominal returns of 7.1%
- Average annual CPI inflation of 2.2%
- Income yield on the fund at the time of purchase 3.78% (current yield, movements in pricing will alter this)
- Income growth, in line with inflation 2.2%

Please see below our expectations if all £10,000,000 is invested in the COIF Investment Fund from day one:

Year	Total Fund	Fund Total Return	Income Distribution
0	£10,000,000	£710,000	£378,000
1	£10,332,000	£733,572	£386,316
2	£10,679,256	£758,227	£394,815
3	£11,042,668	£784,029	£403,501
4	£11,423,197	£811,047	£412,378
5	£11,821,866	£839,352	£421,450
6	£12,239,768	£869,024	£430,722
7	£12,678,070	£900,143	£440,198
8	£13,138,014	£932,799	£449,882
9	£13,620,931	£967,086	£459,780
10	£14,128,237	£1,003,105	£469,895
11	£14,661,447	£1,040,963	£480,233
12	£15,222,178	£1,080,775	£490,798
13	£15,812,154	£1,122,663	£501,595
14	£16,433,222	£1,166,759	£512,630
15	£17,087,350	£1,213,202	£523,908
16	£17,776,644	£1,262,142	£535,434
17	£18,503,352	£1,313,738	£547,214
18	£19,269,876	£1,368,161	£559,252
19	£20,078,785	£1,425,594	£571,556
20	£20,932,822	£1,486,230	£584,130
21	£21,834,922	£1,550,279	£596,981
22	£22,788,221	£1,617,964	£610,115
23	£23,796,070	£1,689,521	£623,537
24	£24,862,053	£1,765,206	£637,255
25	£25,990,004	£1,845,290	£651,275

In this second model, a sum of £50,000 is kept in cash and not invested. This £50,000 is used to supplement the natural income from the fund to get the distributable funds close to £400,000 per annum over the first 3 years as well

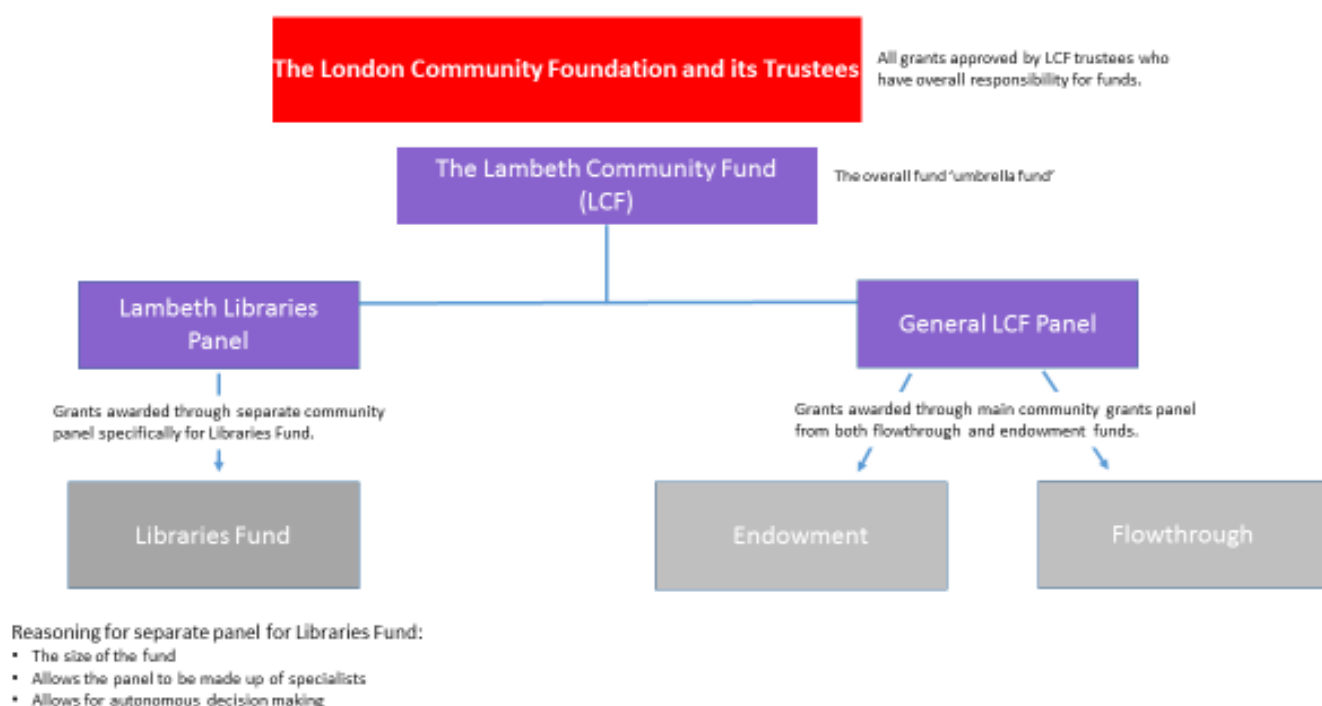
Year	Total Fund	Fund total Return	Income Distribution
0	£9,950,000	£706,450	£376,110
1	£10,280,340	£729,904	£384,384
2	£10,625,860	£754,436	£392,841
3	£10,987,455	£780,109	£401,483
4	£11,366,081	£806,992	£410,316
5	£11,762,757	£835,156	£419,343
6	£12,178,569	£864,678	£428,569
7	£12,614,679	£895,642	£437,997
8	£13,072,324	£928,135	£447,633
9	£13,552,826	£962,251	£457,481
10	£14,057,596	£998,089	£467,545
11	£14,588,140	£1,035,758	£477,831
12	£15,146,067	£1,075,371	£488,344
13	£15,733,094	£1,117,050	£499,087
14	£16,351,056	£1,160,925	£510,067
15	£17,001,914	£1,207,136	£521,289
16	£17,687,761	£1,255,831	£532,757
17	£18,410,835	£1,307,169	£544,478
18	£19,173,526	£1,361,320	£556,456
19	£19,978,391	£1,418,466	£568,698
20	£20,828,158	£1,478,799	£581,210
21	£21,725,748	£1,542,528	£593,996
22	£22,674,280	£1,609,874	£607,064
23	£23,677,089	£1,681,073	£620,420
24	£24,737,743	£1,756,380	£634,069
25	£25,860,054	£1,836,064	£648,018

It should also be pointed out that these models assume linear returns from assets which are more volatile in practice. The income will be relatively easier to predict once we have made the initial purchase as the prevailing income yield at the time of purchase helps with forecasting. However as the programme is not anticipated until June / July we are unable to predict what will happen to capital pricing between now and then. If there is a correction in the market between now and then, the income yield will rise as every unit of income purchased will become cheaper. Please note that these figures do not yet take into account the amount that LCF would need as a contribution to its costs and we will be in a better position to cost this once we have a better sense of the work involved as these proposals develop.

Governance

Under these proposals, it is recommended that the Fund is set up as a component fund of The London Community Foundation which has a number of grant-making streams benefitting Lambeth residents, including the Lambeth Community Fund. This takes advantage of our existing Registered Charity status, established grant-making procedures and Lambeth based infrastructure and an independent mechanism for funding. Key governance issues are highlighted below:

1. **A Component Fund:** Under these proposals the Fund would sit under the brand of the Lambeth Community Fund as a component fund of The London Community Foundation. The Fund will be owned, managed and administered by The London Community Foundation. It will be governed by a Memorandum of Understanding between the Foundation and the Council. The following diagram illustrates the status of the Fund.



2. **Legal Restrictions:** The Fund will have a restricted purpose to support the community and voluntary sector in Lambeth and be focused on literacy, reading and lifelong learning. It will be protected for this purpose in law. Whilst it will sit under the broader brand of The Lambeth Community Fund, it will be financially segregated from it and have separate governance arrangements.
3. **Legal responsibility:** The fund (including its grant-making) is ultimately the legal responsibility of the trustees of The London Community Foundation and sits under the governance of our registered charity number. However, the strategy and purpose of the fund will be agreed with you and reviewed where necessary.
4. **Advisory Panel:** An advisory panel will be established to take responsibility for executing the grant-making strategy, and making grant recommendations from the Fund to be approved by LCF's Board of Trustees. This panel will be separate from the existing community panel currently making decisions on grants from The Lambeth Community Fund. This mechanism allows for local involvement and expertise in decision making whilst retaining an independent, transparent and consensus based process. As with all grant panels, it will be necessary for panel members to be careful with conflicts of interest and 'lobbying' from local organisations. LCF provides clear terms of reference and processes to help manage these issues. It is suggested that the panel is no more than 6 people and should be made up of:
 - a. At least one council representative

- b. At least one local resident with knowledge of the voluntary sector
 - c. One Trustee of The London Community Foundation
5. **Grant-making and monitoring processes:** The London Community Foundation is responsible for all grant-making, due diligence and monitoring procedures for all its sub-funds – strong policies and procedures including a risk assessment framework and fraud prevention plan govern our processes. Appendix 1 gives an outline of our assessment framework. Applicants are shortlisted and then assessed prior to being put forward to the Advisory Panel.
6. **Flexibility:** Whilst the overall objectives of the fund will be established at the outset to focus on literacy, reading and lifelong learning our fund mechanism is flexible and could be adapted to suit the needs and priorities of the community in the future. We understand that the use of libraries may need to evolve in the future and therefore the grant-making strategy could evolve as well to ensure that the funding always has the greatest impact. Any built-in flexibility will need to be communicated properly within the larger community.
7. **Strategy review:** It is recommended that we build in a 5-year strategy review involving the Advisory Panel, the council and other local stakeholders to ensure that the fund is kept current and meeting local needs.

Management of the Fund

The London Community Foundation would be responsible for the fund and would undertake all the following activities:

- 1. Establishment of strategy:** we would work with the Council and Advisory Panel to establish the strategy for the first five years of the fund. This may include certain early priorities focused on particular community libraries to help them through a transition period but over time may include a wider grants spectrum to support learning and reading outside of the traditional library environment. A wide variety of items and activities could be funded over the long term such as (the following are examples only and not an exhaustive list):
 - The purchase of equipment and stock for existing community libraries
 - The maintaining of safe spaces in a neighbourhood centre for children/adults to access learning resources.
 - Weekly programme of story hours for parents, carers and their children
 - Reading buddy schemes
 - Providing children with basic reading materials to meet individual needs
 - Recruitment of volunteers to support children and adults with reading and literacy
 - Reaching out to residents who are most –vulnerable to social isolation and connecting people through the creation of friendship and readers' networks, book clubs, etc.
 - A tailor made programme of English literacy support for those whose first language is not English.

- 2. Manage the grants process:**
 - Set up an online application form and guidelines accessed via our website
 - Publicise the Fund to charities and community groups to encourage applications
 - Handle all pre-application enquiries, support applicants, and receive applications
 - Shortlist projects, if oversubscribed
 - Conduct due diligence and assessment of applicants
 - Write assessment reports with funding recommendations for the panel meeting
 - Facilitate and chair the Advisory Panel
 - Distribute and monitor grants
 - Where appropriate, recommend applicants to other funds that we manage
 - Monitor groups and report on the impact of the grants (we could also build in a longer term evaluation)

- 3. Leverage the fund where possible:** The London Community Foundation is not just a grantmaking charity – we have a small team of fundraisers who look out for opportunities to boost existing Funds at the Foundation, meaning that we would hope to bring in more resources to the Fund over time. In addition, by applying to The Libraries Fund for a grant, grantees and applicants may also benefit from other funds held at The London Community Foundation, meaning greater leverage from your involvement with us. Not all funds at The London Community Foundation are advertised openly - but once groups are on The London Community Foundation's books and have demonstrated their impact, it is far more likely they could be funded by other private donors.

Appendix 1: Grants Assessment Process

Our approach is to make the grant making process as supportive, fair and accessible as possible for groups and individuals applying for funds, whilst ensuring the funds are granted only to legitimate groups and activities. A community development ethos underpins our grantmaking practice. We view the grant making process as a way for applicants to develop their plans, and for LCF to identify where support is needed, and signpost them for assistance where relevant. LCF uses deprivation mapping to ensure that grants are being targeted (as far as possible) to the most deprived areas.

Due diligence

LCF carries out due diligence on all applicants. The process includes:

- Eligibility and fit with Fund themes/priorities
- Charity Commission and Companies House Checks
- Assessment of the organisation's legal framework and governing documents
- Review of the organisation's accounts/records of income and expenditure and an assessment of their financial management processes
- Review of any previous performance with LCF grants (organisations with overdue monitoring across our programmes are not eligible for further funding)
- Assessment of the organisation's safeguarding policies and procedures (protection for children and vulnerable adults).

Assessment

Eligible applications are then assessed by our Programmes Team, including a telephone interview with the applicant to gather further information on their proposal. Further assessment includes a review of:

- The organisation's track record and ability to deliver, including previous and current funding received and their management thereof
- Management Committee expertise, involvement and location
- Staff qualifications, skills and leadership
- The organisation's understanding of local need and development of services
- The organisation's local partnerships (voluntary and statutory where relevant)
- The proposal itself, including budget, project planning, quality of delivery, delivery mechanism timeframe and proposed monitoring.

Monitoring and evaluation

LCF monitors the grants awarded and reports back to the fund holder. All grantees are required to fill out an end of grant monitoring form, returning this to LCF along with their receipts/invoices evidencing grant expenditure. As part of the evaluation process, we look at grant spend, whether aims, objectives, targets were met, and particular learning points that could shape future community activities and LCF grantmaking.