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Mr Lowcliffe / Mr Loring  
Mr. Lonsdale / Mr. Llesbury  
Ms Kahn  
→ A/S K-S

My Ref: B/PSO/32717/85

19 March 1985

Dear Patrick,

**ABOLITION: VOLUNTARY BODIES  
A TRUST FOR LONDON**

I am writing to you as Chairman of MISC 95 and copying my letter to other members.

In my letter of 11 February I mentioned that consideration was being given to setting up a Trust to be endowed from some of the proceeds of the GLC's assets and promised to circulate a paper, which I enclose, reflecting comments already made on a version circulated between officials. The main recommendation is that we should announce, at the Lords Committee Stage, our intention to use part of the proceeds from the GLC's assets to endow a Trust which would, in turn, provide support for voluntary activity in London.

Rather than take powers to set up a new statutory Trust - which might encounter difficulties concerning the scope of the Bill - I propose that the Local Government Bill be amended to enable the residuary body to make payments to a trust subject to any conditions which the Secretary of State may specify. This will provide the opportunity for an announcement of the intention to endow a trust to be made in Lords Committee, where we expect some considerable pressures for future concessions for safeguarding future funding of worthwhile voluntary activity.

The Trust proposal is aimed essentially at providing reassurances about the future for voluntary bodies in the medium to long term. However by being allowed to use a specified proportion of its capital for grant-giving it could also make a contribution sooner.

Because of the timing and practical considerations involved in finding and appointing suitable trustees and the other administrative matters which will need to be sorted out, I do not envisage the Trust as being able to make any appreciable contribution to easing the immediate funding problems facing voluntary bodies in the first years after abolition. The proposed transitional grant-aid will have to be relied on to help deal with those immediate matters. While there may be some

resentment amongst the London Boroughs against this diversion of receipts, which would otherwise have been distributed to them, the amount involved is comparatively very small when set against the total receipts which they will still be getting.

I would be grateful for colleagues' agreement to the proposals set out in the enclosed paper - summarised at paragraph 13.

*Thurman*  
*Kenneth Baker*

KENNETH BAKER

## A TRUST FOR FUNDING VOLUNTARY BODIES IN LONDON

1. This paper described the issues for decision on the proposal for endowing a trust to fund voluntary bodies in London from endowments provided by receipts from the Residuary Body arising from the disposal of GLC assets.

### OUTLINE

2. The main elements of the proposal are

(i) a capital endowment should be provided to a charitable trust from the proceeds of the disposal of GLC assets; this money would be paid to the trust by the residuary body. Some or all of it might be made contingent on equivalent private sector contributions (such a trust should be well placed to raise income from private sources irrespective)

(ii) the trust would make grants or loans to voluntary bodies in London using a specified proportion of its capital in its early life, but income on investments in the longer-term;

(iii) the endowment could be provided either to a new or an existing trust.

Point (i) would need some change to the Bill.

3. It is clear that definitive answers on all the points outlined in this paper should not be arrived at without some discussions with interested outside parties. However the options below provide the basis for a general statement of intent by Ministers during the House of Lords Committee stage of the Local Government Bill.

### THE TRUST

4. The main issues in relation to a charitable body in receipt of substantial public funds would be:

(a) whether to set up a new trust or use an existing organisation;

(b) if setting up a new body, what form it is to take (statutory/non-statutory, corporate); who is to set it up and how;

- (c) who is to control it;
- (d) to whom are those controlling it to be accountable;
- (e) what are its objects to be.

OPTIONS: NEW OR EXISTING TRUST

5. Using an existing charitable organisation would demonstrate that a Trust was not just a creature of Government, but had some support from independent charitable quarters. As such it would be more likely to attract greater private backing - from the private/commercial sector and from the public at large. Using an existing Trust, or an off-shoot of it, would also offer the advantage of grafting on to existing resources and expertise in grant-giving. (Also any capital endowment deriving from GLC assets could be linked to the Trust matching it with its own, or other, private income.)
6. The choice of which existing charitable organisation would need careful consideration. It might be an existing London-based grant-giving Trust (such as the City Parochial Foundation) or a national all-purpose charitable fund-raising body (such as the Charities Aid Foundation) or, possibly, a consortium of existing generalist voluntary organisations (such as NCVO, LVSC, LACRC). These possibilities would need to be assessed in the light of the willingness of such bodies to take on an enlarged role, particularly if any changes were to be required to their operation or control. Their responses could well narrow the choice considerably. (However there have already been signs of interest from both the Charities Aid Foundation and the City Parochial Foundation).
7. The option of setting up a new statutory incorporated Trust would promise greater certainty that a suitable vehicle would be set up, with suitable objectives at the right time. However it would present considerable practical difficulties in, for example, the appointment of suitable Trustees; the need to find premises and recruit permanent staff; and whether it would be seen as sufficiently independent of Government as to gain the confidence of the voluntary sector. Such a statutory Trust would, unlike an existing charitable body, need to acquire charitable status itself if it was to have any chance of attracting from the public and the private sector.

8. It is also doubtful whether taking powers to set up a statutory Trust would be within the scope of the Local Government Bill.

#### THE RESIDUARY BODY

9. At present the Bill is drafted to provide that receipts the residuary body has from the disposal of assets can be passed back to the boroughs or other successor bodies. Ministers have agreed that exceptions to this general pattern should be made to allow the residuary body to make payments to endow a trust. Although it is not yet clear how much in total the London Residuary Body will be receiving from the transfer of GLC's assets, it is likely that any sums diverted to a Trust will be resented by the boroughs. The amount of endowment need not be specified at the outset; but the size of possible endowment is envisaged as £10-£50 million. A figure of £10m. would be of the right order for starting discussions with outside interests. No figure needs to be finally set until there is a clearer picture on the total size of the proceeds available to the residuary body

#### AMENDMENTS TO BILL

10. A specific power for the residuary body to make such payments would be needed. It would probably have to take the form that the residuary body would pay such part of any capital receipts/monies as would be specified by the Secretary of State up to a maximum defined in the Bill (or by Order) to any body specified by the Secretary of State provided that such body conformed to certain criteria, eg that it was a charity or non-profit-making with specified objects of giving to voluntary bodies.

11. Decisions would be needed on which receipts were being passed to the trust because the present capital control system deals differently with receipts from different classes of assets. A percentage of receipts, up to a maximum limit, might be set on a specified amount as a first charge on the Residuary Body. It would be provided for payments to be made over time, as proceeds became available, rather than on one single payment. The residuary body should be able to make advances to the Trust to provide initial endowment - which would be off-set against later income.

12. Secondary issues arise on whether, and what form of, Parliamentary procedure would be needed for any specification of limits by the Secretary of State. Whatever arrangements were adopted it is desirable that the process of paying over the full endowment should be completed before the residuary body has to be wound up if very complex arrangements are to be avoided.

#### CONCLUSIONS AND RECOMMENDATIONS

13. i) The setting up of a Trust in London would be a desirable, important measure to ensure the provision of adequate levels of support for voluntary bodies in London in the longer-term as the Government's transitional support tapers away;
- ii) an existing charitable Trust should be preferred, rather than setting up a new statutory Trust; final decisions on the points outlined in paragraphs 5-12 should be made in the light of discussions with interested parties - including existing Trusts and Foundations which are potential candidates
- (iii) the Local Government Bill should be amended to provide that the Residuary Body is enabled to make payments to a Trust to provide it with capital endowment and to provide the Secretary of State with powers to specify the amount and nature of such payments
- (iv) the precise amount of endowment to be provided by the residuary body need not be determined now; as a basis for beginning discussions with outside interests an endowment of £10 million should be used
- v) the Government's intention to provide an endowment for a Trust in London should be announced during the House of Lords Committee Stage of Local Government Bill.



*Private Secretary to the  
Minister for Local Government*

Copies of the attached should be  
circulated by hand to:-

Lord President of the Council ✓  
Lord Chancellor ✓  
Secretary of State for the Home ✓  
Department  
Secretary of State for Education ✓  
and Science  
~~Secretary of State for the Environment~~  
Lord Privy Seal ✓  
Secretary of State for Social Services ✓  
Secretary of State for Trade and ✓  
Industry  
Secretary of State for Employment ✓  
Minister of Agriculture, Fisheries ✓  
and Food  
Chief Secretary, Treasury ✓  
Secretary of State for Transport ✓  
Lord Gowrie ✓  
Attorney General ✓  
Sir Robert Armstrong ✓