

Setting up a fund with LCF vs own foundation/charitable trust

Setting up a named fund with us is a simple, robust and impactful alternative to setting up your own foundation or charitable trust. You will benefit from LCF's governance and operational resources, and can be guided by our knowledge of and connections with the local charitable sector. Here we offer a side-by-side comparison of the steps involved in setting up a named fund as opposed to a foundation or charitable trust.

The Charity Commission acknowledges that community foundations have a reputation for the effective management of charitable funds in order to maximise their impact at local level. It encourages working with community foundations as an alternative to setting up a new charity or continuing with a dormant or ineffective trust fund.

Task	Own Management	Managed by LCF
SET-UP PROCEDURE	Must register as a charity and apply to the Charity Commission; must appoint a Board of Trustees	Simple agreement – LCF Memorandum of Understanding
COSTS	Likely to be between £5,000 and £10,000 (professional/solicitor fees and registration fees)	Contribution/donation to LCF, typically a percentage of the fund value
TIMEFRAME	May take weeks or months	Can be set up within 24–48 hours

FINANCIAL MANAGEMENT

Tax status covered by registration with the Charity Commission; must fulfil financial and administrative requirements, or contract/hire staff; auditors likely to cost around £2,500 annually

LCF handles all financial and administrative management, sorts out audit and reports to the Charity Commission; tax status is covered under LCF's charitable status

REPORTING TO AUTHORITIES

Donors/trustees must maintain all financial records, prepare accounts, and submit to the Charity Commission

LCF takes care of reporting to the Charity Commission, particularly the annual report and accounts .

DONOR INVOLVEMENT/ RESPONSIBILITY

Donor appoints Board of Trustees to control all aspects of grant-making and investment

Trustees of LCF take on legal and fiscal responsibility for the fund, while the donor recommends grants to organisations vetted by LCF

PHILANTHROPY ADVICE

Donors/trustees responsible for own giving strategy, or can commission an advising organisation to help for a fee of around £4,000 per meeting

LCF provides full charitable giving, grant-making and sector know-how to ensure the donor uses their fund for the causes that most need help

MAXIMISING FUNDS

Donors only have access to the original source of funds; collaborative funding may not be considered or may be time-consuming

The fund is a single entity and may not be able to generate substantial income yields as a stand-alone fund

By operating through a community foundation, donors have access to additional match-funding or creating funding partnerships that will boost their impact

Many funds held by the CF can be invested together, creating a larger endowment, capable of generating higher returns collectively

ACCREDITATION

The fund is subject to the requirements of the Charity Commission, which does not audit individual charities

CF is subject to a regular audit process as part of its membership of UK Community Foundations, requiring it to evidence good governance, strategy and financial management

GRANT-MAKING

Donors responsible for own grant-making process, administration and oversight, possibly at the cost of a staff member; must research and check activities and status of all recipient organisations; donors have ultimate say in all grant decisions

Donors can be involved as much or as little as they choose; professional staff help identify and assess grantees, provide input on community needs, ensure follow-up with recipients and report back to donor; LCF verifies activities and status of all potential grantees; LCF trustee approval required for all grants

REACH

Grants often restricted to registered charities; donors may not know about many smaller voluntary groups operating in their areas of interest

Can be made to both registered and non-registered community groups; LCF makes suggestions about lesser known groups that would benefit from funding

GEOGRAPHY

Donors/trustees determine their geographical reach, often influenced by the areas they have detailed knowledge of

LCF operates across Lincolnshire, but is part of a network of 47 community foundations across the UK, which can mobilise their local knowledge to deliver regional or national initiatives

PRIVACY

The charitable trust must keep public records, including names and addresses of all trustees

Anonymity of donor can be maintained if desired; if the donor wishes, LCF can serve as a mediator between donor and grant-seekers

PUBLICITY

The trust is entirely responsible for carrying out its own publicity and marketing, as well as managing enquiries or challenges from the public or press

LCF can help the donor as much or as little as they want; we can raise donor's profile in the community by making grants in their name and featuring them in publications

NETWORKING

Trustees must find own network and information sources

CF connects donors to a variety of groups and issues in the community, and connects like-minded donors through events and initiatives

FLEXIBILITY

All monies must be placed in trust or charity in perpetuity and the capital may not be expended

Monies can be paid into the fund to add to the endowment or be spent directly on grants, depending on the donors' wishes from time to time; monies paid into endowment must remain in endowment

DORMANCY

Charitable trusts risk dormancy if the donor passes away, the cause becomes obsolete, the initial momentum to set up the fund has slowed or it becomes difficult to recruit new trustees

Charitable gifts invested in funds in endowment will benefit the community forever and not become dormant, as LCF will honour a fundholder's charitable wishes even after they pass away, and can adjust purposes to suit changing needs while respecting the original wishes