



# Challenges and Opportunities for Family Charitable Foundations

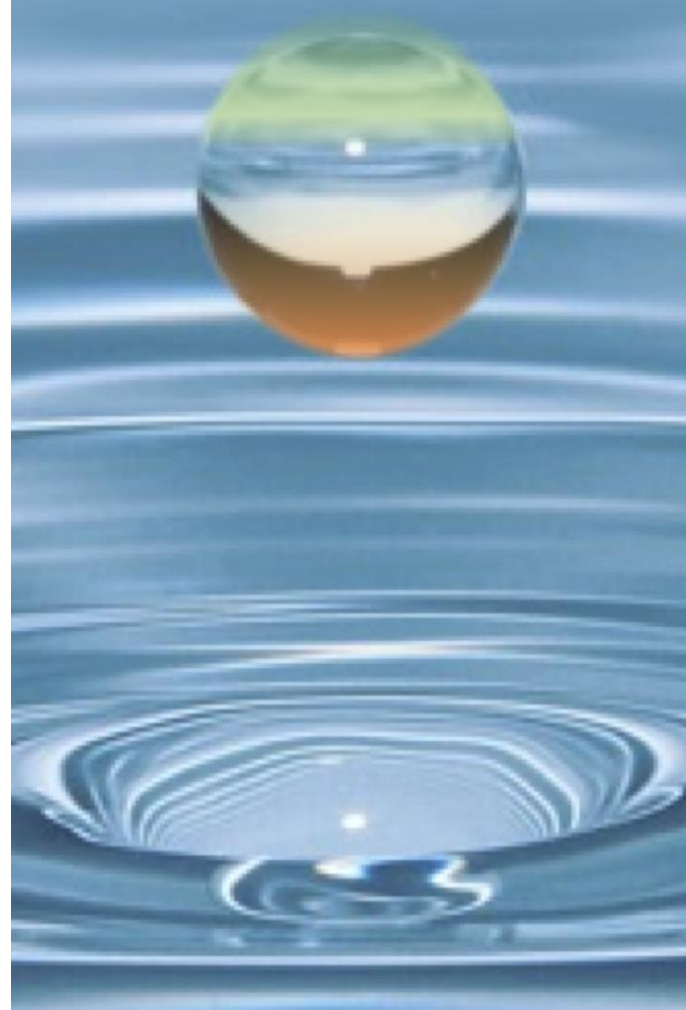
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Rupert Cadbury – Philanthropy Advisor

# CAPLOR HORIZONS RIPPLE PAPERS

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*...creating ripples of change*



*Learning differently*

*Thinking differently*

*Acting differently*

## Challenges and Opportunities for Family Charitable Foundations

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### Introduction

Family foundations are the backbone of the UK charitable sector contributing around 10% of the sector income of £17.5 billion per annum and 59% of the annual income derived from endowed trusts. <sup>1</sup>

This report examines some of the challenges faced by the trustees of family foundations and concludes with an in-depth case study. The report is divided into five main sections:

- Mission and Vision Statements
- Grant making policy.
- Administration.
- Investment management.
- Longer term sustainability.

### Mission and Vision Statements

Many trustees will regard Mission and Vision Statements as a form of management speak wholly alien to a family trust. In fact, both play an important role in ensuring that trustees develop a unified view of the ethos, purpose and strategic direction of their trust in a form that can be easily communicated. The Vision Statement is best regarded as an inspiration to dream while the Mission Statement should inspire action. Ideally short and snappy, the statements should be formulated as a team effort involving all trustees.

### Grant making policy

In formulating a grants policy, the first step is to publish a set of guidelines that define as clearly as possible what it is that trustees will or will not fund and the size of the grant normally awarded. The aim is to provide encouragement to suitable applicants and to enable the remainder to avoid the time and effort involved in a wasted application. Clear guidance on the format and expected content of applications is essential. Grant making should be kept reasonably in step with the guidelines as significant exceptions are likely to be noticed and followed up by other applicants.

The evaluation of applications received will depend very much on the time available to trustees and the number of applications to be considered. Beyond the assessment of the initial application and supporting documents such as audited accounts it may be desirable to speak to applicants on the telephone or where possible to visit.

The measurement and reporting of outcomes is a growing requirement throughout the charitable sector and although it may be regarded as 'shutting the stable door' it can be a valuable process in identifying what works and what does not. Follow up can be carried out on the basis of a random sample or by concentrating on larger grants.

## Administration

Family foundations spend on average 5% of annual income on support costs<sup>1</sup>. Paid help is the preserve of the larger trusts, for the remainder the burden is likely to fall on trustees. However modern technology can make a huge difference and there are a number of software packages available that are designed to meet the needs of grant making trusts. It may be possible to share the administrative overhead between trusts either through an arrangement with another trust or through the use of a commercial service.

The number of grants awarded has a significant impact on the size and shape of the administration. Clearly a limited number of large grants will have a small administrative overhead but will require much more in the way of assessing the applications, monitoring the projects and in some cases mentoring the applicants. Conversely a large number of small grants will have a high administrative overhead while the assessment of applications becomes more a matter of trust and an intuitive judgment informed by the experience of trustees.

## Investment Management

The sector spends an average 7.5% of investment income in investment management fees<sup>1</sup>. Many family trusts derive their income from a share in a family business; others may have a fully discretionary arrangement with a firm of investment managers while many remain hands on and manage their investments themselves or through an advice only arrangement. A fully discretionary arrangement is likely to cost significantly more than the sector average.

## Sustainability

For family trusts, as with family businesses the transition which occurs when the founder ceases to be involved can be very challenging and especially so when 'founder's syndrome' is evident. 'Founder's syndrome' is used to describe a condition where an organisation has become over dependent on one person, very often but not necessarily the founder, having failed to put in place the robust systems and procedures that would make a smooth hand over possible.

In a family trust the crunch point is often the moment when it is no longer possible for all family members to participate as trustees and this can be further complicated if, as is so often the case, trustees are appointed for life:

- Appointing a new trustee is a huge risk, mistakes cannot be undone.
- The family members who are not trustees have no stake and consequently less interest in the trust.
- The scope for injecting fresh blood and new ideas is very limited.
- Trustees are not accountable for their actions beyond the basic strictures of the Charity Commission.
- If the existing trustees are responsible for appointing new trustees the tendency will be to choose from their own close family so over time the trustee body will become less and less representative of the family group as a whole.

Much depends on the level of commitment and enthusiasm from within the family.

### **Some examples:**

The Joseph Rowntree group of trusts is the largest and best known of the Quaker trusts. They now have no family involvement and appoint as trustees leading practitioners working in their areas of interest.

The Barrow Cadbury Trust has experimented with non-family trustees and has handed over the management of the trust to a team of paid professionals overseen by trustees.

The William A Cadbury Charitable Trust has followed a similar route and appointed a professional trust administrator.

### **Smaller family trusts have variously:**

Spent out - The J and LA Cadbury Trust.

Amalgamated with another family trust - The Helen Alexander-Dixon Trust merged with the William A Cadbury Charitable Trust.

Trusts in the George Cadbury branch of the family have been sub divided between family members to allow them to pursue their different interests unhindered.

A well-known Birmingham family trust, the Harry Payne Trust has been wound up and its assets transferred to the Heart of England Community Foundation who will apply the income to the charitable causes in which Harry Payne and his family were interested.

## Case Study – The Oakdale Trust

*'Walk cheerfully over the world, answering that of God in everyone.'* George Fox 1624-1691.  
A framed copy hung on the wall of Brandon Cadbury's study.

### Background

Brandon Cadbury established the Oakdale Trust in 1948 shortly after his return from China where he served in the Friends Ambulance Unit during the war.

In setting up an endowed trust to further his charitable giving, he was following an example set by his father William, his uncle Barrow, most of his siblings and others in the wider Cadbury family.

For many years, Brandon and his wife Flavia ran the trust together, responding to appeals as they arrived in the post while Brandon also funded a number of charitable ventures of his own particularly while working as a probation officer in Redditch. This was his third career having worked previously as a solicitor and then as a director of Cadbury Brothers.

### Administration

In 1994 Brandon decided that the time had come to involve his children and he changed the modus operandi of the trust to twice yearly meetings with a formal agenda, attended by Brandon in the chair, Flavia, and their four children. After the first of these meetings Brandon, appalled by the sheer amount of work involved in processing the appeals en bloc, commissioned a computer system which was to be up and running in time for the next trust meeting. Brandon specified that the system should do the following:

- Produce the list of appeals for consideration including details of past grants as appropriate.
- Print the grant cheques and covering letters for the successful appeals.
- Record details of the grants made for future reference.

The system was gradually enhanced to include an integrated accounting module to help with budgeting, bank reconciliation and so on. The thorny problem of extracting receipts from all grantees was tackled by adding a pro forma receipt as a tear off strip to the bottom of the grant letter. This was backed up by a computer-generated reminder letter to the few grantees who remained recalcitrant.

As the years progressed Brandon gradually delegated more and more responsibility for the selection of the appeals for consideration to his children, allocating to each different categories according to their interests. The computer system was adapted to allow each trustee to input their appeals independently. Support costs are met in their entirety by the trustees while governance amounts to 0.8% of total income slightly above the sector average of 0.5%<sup>1</sup>.

### Use of Technology

Although the automation of the process greatly reduced the time and effort spent on the administration (by an estimated factor of six) a number of problems remained. Most notable was the sheer number of appeals received, a significant number of which were unlikely to receive the support of trustees.

A subsidiary problem was the number of enquiries from potential applicants, again many for inappropriate projects, quoting outdated guidelines still in circulation particularly in the printed directories.

To address some of these problems and following the example of the William A Cadbury Charitable Trust, the Oakdale Trust took the plunge in 2013 and launched a web site [www.oakdaletrust.org.uk](http://www.oakdaletrust.org.uk). It has taken some time to fine tune the site and its contents but even so the results thus far are encouraging. The site includes an on-line application form that feeds directly into the main Oakdale Trust system eliminating the transcription errors which arise when entering application details manually. On line appeals are popular with trustees as they are easier to read (having a consistent layout) and are also quicker and easier to process. The on-line form is currently used by more than 50% of applicants.

Further, it is now possible to generate reject letters for unsuccessful on line appeals which are sent out as email attachments. Feedback to date suggests that this is much appreciated by applicants who at least know where they stand and whether or not it is worthwhile reapplying to the trust at a later date.

From the quality of the appeals and the enquiries that the trust now receives it is clear that the majority of potential applicants are going to the web site as a first port of call and it is also clear that most have read and understood the guidelines provided. In the jargon this is a 'win win' situation both for the trust and for those seeking grants.

Clearly the trust does still receive applications generated *en masse* from mailing lists of varying quality and other appeals that are purely speculative - however these are now more easily identified and weeded out.

The web site is not to all tastes, some applicants are not at ease with computers and technology but they do seem to be a dwindling minority and not biased to organisations of a particular size or type.

The web site is quite fragile and needs careful monitoring to nip problems in the bud. If something goes wrong most people tend to assume that it is their fault and give up. We sometimes get feedback when problems arise but not often.

The Oakdale Trust system is a patchwork that has built up over the years, parts of which date back to the original 1994 system.

## **Impact Assessment**

Effective monitoring of outcomes is increasingly important for charitable organisations across the spectrum with the ever-greater accountability demanded by the regulatory bodies and by society in general. This is not an issue that the Oakdale Trust has dealt with exhaustively. Most of our grants and grantees are quite small and trustees do not wish to distract busy people in small organisations from their primary tasks. However, trustees do read with interest the feedback that is received while recognising that we are more likely to hear about success than failure. A small number of larger grants are made but these are usually under the wing of a particular trustee who will report back to the main body at appropriate intervals.

To reduce the risk involved in making grants overseas, where trustees have little personal experience or expertise, grant making has been concentrated on a small number of UK charities working overseas with whom the trust has well established links.

## **Investment Management**

Prior to the Kraft takeover of Cadbury Ltd the Oakdale Trust was fully invested in the family business. Following the takeover, trustees made the decision to appoint investment managers, once again following the example of the William A Cadbury Charitable Trust. The trust is currently with Standard Life Wealth having first appointed Newton Investment Management. The fees amount to 15% of investment income, substantially above the sector average of 7.5%<sup>1</sup>.

## **Sustainability**

Succession is a difficult issue for all family trusts, the more so as generation follows generation. The Oakdale Trust is in its second generation and the present trustees with one exception are retired and all are able to devote the time needed to run the trust effectively. It will soon be necessary to meet the challenge of forging an effective and cohesive team from the members of the next generation. The grandchildren have each sat in on several trust meetings and so know the ropes. However, most are at present preoccupied with careers and/or children and it remains to be seen who will be prepared to step up to the mark. Those chosen, or perhaps elected, will have a responsibility to respond to the views, concerns and interests of the wider family.

The Oakdale Trust meant a great deal to Brandon and Flavia Cadbury and that they expected it to flourish after their deaths is evidenced by the large donations they made to the trust during their lifetime and further underlined by a large bequest in Flavia's will.

## **Succession Issues for the Oakdale Trust**

### **Burden of the administration**

Even with the benefit of the computer systems currently in place and with the responsibility for the selection of the appeals for consideration divided among trustees, the overall administration remains a significant task which needs a candidate from the next generation willing, keen and able to take it on. The Oakdale Trust is not large enough to sustain a professional administration but it may be worth considering a cooperative venture with perhaps the William A Cadbury Charitable Trust. By sharing the overheads of paid assistance, it may be possible to bring the burden down to a more manageable level in terms of the cost and the trustees' time.

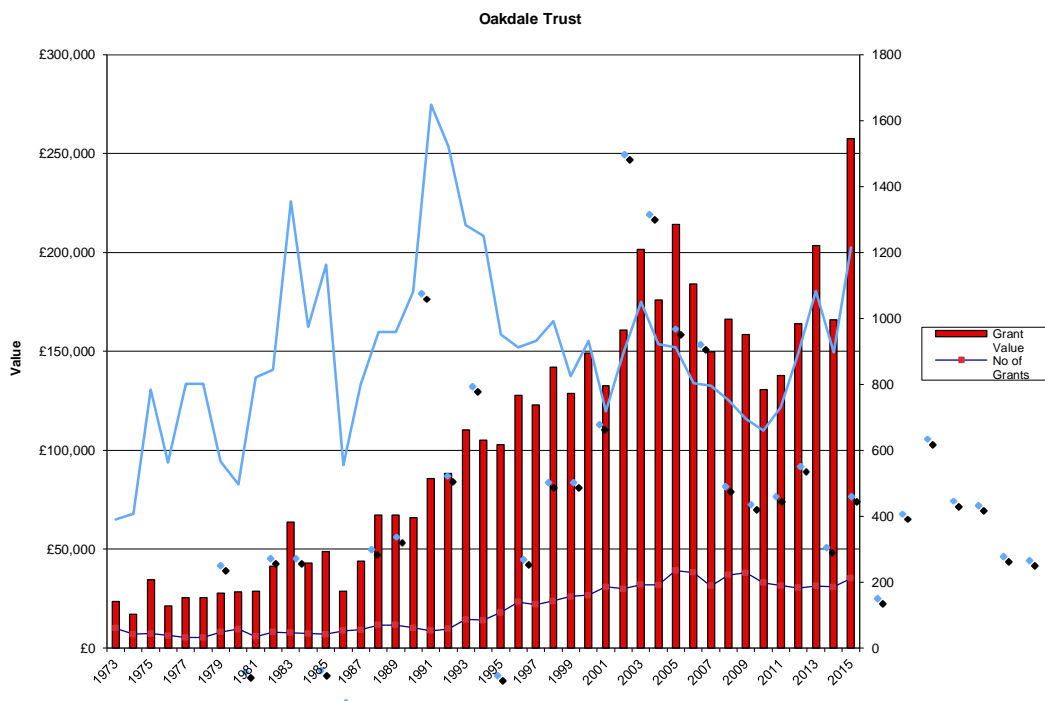
### **Accountability of Trustees**

At present the Oakdale trustees are appointed for life with the disadvantages already discussed. An alternative approach could be to amend the terms of the trust so as to appoint trustees for a fixed term, elected by all members of the family. This would give family members a stake and would also give them the opportunity to hold the trustees to account. At the same time, it would make it possible to respond both to the changing circumstances of the trustees and the changing needs of the trust.

Careful consideration would need to be given to the optimum number of trustees and the design of the voting system to ensure that the four branches of the family are fairly represented.

## Some figures

The graph on the next page illustrates how the Oakdale Trust has developed from 1973 to the present day. The red columns show the total amount of money dispersed in grants each year and demonstrate a steady increase in the value of grants awarded. The trend was interrupted by the 2008 recession recovering strongly from 2011 on. The blue line shows the number of grants awarded annually which climbed steadily until 2005 remaining fairly stable thereafter. The upper, dark blue line shows the size of the average grant which fluctuated wildly from year to year before stabilising at the turn of the century. The most likely cause of these fluctuations is a small number of large grants awarded by Brandon Cadbury in the period prior to the involvement of his children to projects in which he was personally involved and had a particular interest.



## Bibliography

1. The 2014 Annual Report on Private Giving by UK Family Foundations.  
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## A brief biography of Rupert Cadbury

Rupert's involvement with his family's long standing philanthropic tradition dates back to 1976 when he was appointed a trustee of the William A Cadbury Charitable Trust. He took over as chairman of the Oakdale Trust in 1996 and also holds a number of non-family trusteeships.

A Mechanical Engineer by training Rupert spent his career in IT and was involved in the early days of computerised production control. Appointed Group Computer Operations Manager at Baker Perkins he moved to similar roles at APV and later Rockwell International ending his career as a Director of Titusfield, a supplier to the food industry in the UK and Europe.

Rupert now devotes his time to his charitable interests and is delighted with the opportunity to contribute to the development of Caplor Horizons.



## Caplor Horizons – Background

Established in 2014, Caplor Horizons is an independent charity. We work with other charities and responsible businesses and now have over 50 Advisors. These are outstanding people that bring specialist knowledge and experience. They contribute their time on a voluntary basis, or at reduced rates, so that Caplor Horizons can provide high quality and distinctive services at an accessible cost.

Working locally, nationally and internationally, we help other organisations think differently about themselves and the new horizons that they face. We support them in strengthening their leadership, renewing their strategy and improving their influence.

We want to encourage and assist a new generation of organisations that are committed to making a positive and lasting impact. We believe that if we are to achieve real, sustainable change, we need to inspire and enable people to learn differently, think differently and act differently.

**Our vision is:** *A world where leaders deliver a sustainable future for all*

**Our purpose is:** *To be courageous, compassionate and creative in facilitating transformational change*

**Our values are:**

- **Courage** – We are courageous change makers committed to challenging assumptions, taking risks and having difficult conversations
- **Compassion** – We are open, understanding and heartfelt, encouraging the nourishment of our whole selves and others
- **Creativity** – We learn, think and act differently, and are innovative and resilient in an ever-changing world

**Our beliefs are:**

- Through diversity we ignite dynamic innovation
- Collaboration helps achieve greater impact
- Everyone matters
- We are all leaders in our individual and collective ways – we are all change makers!
- Learning is more effective if it is fun, engaging and creative
- Building on people's strengths creates greater resilience

**Our strategic goals:**

- Goal 1: Transforming Leadership
- Goal 2: Strengthening Resilience
- Goal 3: Increasing Collaboration

Learning differently  
Thinking differently  
Acting differently

