

LLOYDS TSB FOUNDATION FOR SCOTLAND SETS OUT TO RAISE £12M TO CONTINUE FUNDING SCOTLAND'S CHARITIES

Lloyds TSB Foundation for Scotland has announced that it is seeking to raise funding of £12m to guarantee its future for the short term.

Trustees have agreed that efforts should now be made to secure monies from sources other than Lloyds Banking Group to cover the Foundation's grant-making programmes for the next two years, whilst continuing to work to reach a settlement for interim funding with the Group.

The Foundation is entitled to no monies other than a *de minimis* amount of £39,000 under the covenant it has with the Banking Group because of the losses incurred by the Group this year. Last month, the Foundation suspended its grant-making programme to Scottish charities and it will be making its last planned awards in December.

By seeking to raise its own funds for a limited period, the hope is that, irrespective of whether or not the Foundation reaches an agreement with the Banking Group, it will be in a position to restart its grant-making programme early in the New Year. This would bring a lifeline to charities across Scotland concerned about the impact the loss of the Foundation's funding would have on their work.

Mary Craig, the Foundation's Chief Executive, explaining why the decision had been reached, said:

"We are only too aware that many of Scotland's charities will be unable to make plans for the year ahead, or indeed continue to deliver some of their services, until they have certainty around whether they can apply to us for grants. It is with those responsibilities firmly in mind that, as an independent organisation, we are starting to explore alternative routes to funding until the Banking Group returns to profit and we again receives monies through our covenant.

"Our aim has always been to maintain our support to charities in its present form and protect our grant-making work with grassroots charities. That is why we have repeatedly rejected Lloyds Banking Group's proposal to renegotiate our covenant as that would lead to our funding being cut by 50% over the longer term.

"So while Trustees consider what the next move is in their discussions with the Banking Group, that needn't stop us taking practical steps, in parallel, towards securing £12m in funds to ensure the Foundation can continue its work over the next two years.

"Our last planned awards will be made in early December. I hope that, by that time, we will have secured offers of funding from major donors and other sources of potential monies. That, in turn, should enable us to provide charities with reassurance of our financial support going forward."

Lloyds TSB Foundation for Scotland is also in line for money from Lloyds Banking Group's second Rights Issue of this year, which is currently under way. It is also due compensation of at least £2m as a result of being wrongly excluded from their first Rights Issue held earlier this year.

However, whilst any monies gained under the Rights Issues would go into the fundraising pot and reduce the £12m accordingly, as it is still not clear how long it will take to receive any of this money, the Foundation is reluctant to include this notional sum at present.

Notes to Editors

1. Discussions to date have failed due to Lloyds Banking Group seeking to tie the offer of an interim funding package to a reduction in the terms of the covenant and a loss of the Foundation's independent status. As was said following the last meeting with the Banking Group on 6 November, Trustees will meet to review all options open to them going forward, based on legal and financial advice of what is in the best interests of the Foundation and the charities it supports.

2. The Foundation's suggested counterproposal, which would be cost-neutral to the taxpayer, is to receive funds as a short term loan repayable when the Group returned to profit. The Foundation's independence would also remain intact.

3. The Foundation's charitable awards:

- Since establishment in 1985, the Foundation has awarded almost £85m to charities across Scotland.
- Over the last five years the Foundation has awarded the following funds to Scotland's charities:

2005	£ 9,441,315.00
2006	£ 7,161,465.00
2007	£ 7,600,769.00
2008	£ 6,905,345.00
2009 (to date)	£ 4,860,327.00

- The Foundation has made over 12,000 awards to charities across Scotland. These range from the well known, such as Children 1st, to small individual community groups receiving a few hundred pounds for a local project. A full list of the awards made by the Foundation is available on its website: www.ltsbfoundationforscotland.org.uk
- The Partnership Drugs Initiative (PDI) has been running since 2000 and is funded by the Foundation and the Scottish Government. The initiative works with children and young people around issues of drug and alcohol misuse. Since establishment, just over £14 million has been awarded through the PDI to voluntary organisations across Scotland.
- Since 1997, the Foundation has allocated around £30m to support salaries – and therefore jobs - in the charitable sector.
- If the Foundation accepted the offer from Lloyds Banking Group, the Foundation estimates that Scotland's charities would lose out on approximately £22 million over the next nine years.

4. Background to the Foundation and how it is funded:

- In 1810, the Trustee Savings Bank established by The Reverend Henry Duncan, in Ruthwell, Dumfriesshire. He started the Bank so that everyone, regardless of wealth or position, could benefit from a savings bank.
- In 1985, four independent charitable trusts (Scotland, England & Wales, Northern Ireland, Channel Islands) were created by an Act of Parliament when the Trustee Savings Bank Group was floated on the Stock Market.
- As a result of the Act of Parliament, a covenant was implemented which stated that TSB plc, and successor banks, should distribute 1% of pre-tax profits, averaged over three years, to the foundations. Scotland receives 19.46% of this amount.
- If Lloyds Banking Group decides to terminate this agreement, the covenant states that the Foundation must be given nine years' notice of their intention to do so.
- The covenant also states the Lloyds Foundation for Scotland is a wholly independent organisation with a Chairman and Board of up to 12 Trustees, who are unpaid and are accountable for the work of the Foundation.
- In 1995, the covenant continued following the merger between TSB Group and Lloyds Bank. This merger significantly increased the Foundation's income and the Foundation became the largest Scottish independent grant-making Trust. Following the creation of the Lloyds Banking Group, after the acquisition of HBoS, the covenant still stands.
- As the Foundation is an independent charitable organisation, Lloyds Banking Group currently has no say in how the Foundation disburses its funds.

5. For further information, please contact Jacqui Low, at Indigo, on 0131 554 1230.

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