

LLOYDS TSB FOUNDATION FOR SCOTLAND RESTARTS GRANTMAKING

Trustees of Lloyds TSB Foundation for Scotland, an independent organisation that is one of the leading charitable funders in Scotland, have announced that the Foundation is to restart its grantmaking programmes. It was announced last October that the Foundation had closed its door to new applications for grants indefinitely as a result of an ongoing dispute with Lloyds Banking Group around its future funding and independence.

Initially, there will be £2m available to be disbursed before the end of 2010. This money has been raised through the sale of additional shares the Foundation bought in the two Rights Issues held by Lloyds Banking Group in 2009. Although a shareholder, initially the Board was told by the Banking Group that the Foundation was not entitled to take part. After pursuing the matter vigorously, the Foundation was subsequently allowed to participate.

Speaking after the decision by Trustees to restart grantmaking programmes, Mary Craig OBE, Chief Executive of the Foundation, said:

“After all our recent difficulties, we are delighted to get back to the job in hand – supporting Scotland’s hard-pressed charities. In mid-April, we will be in a position to share the details of the programmes with them, including the criteria and the timetable for applications and awards. But we expect to direct this £2m to those in most need, to the small and hard-to-reach groups and organisations that struggle to get funds elsewhere.

“Going forward, the Foundation still holds additional shares from the Rights Issue and we intend to dispose of these in tranches to fund programmes for 2011 and beyond.

“In addition, Lloyds Banking Group’s announcement that it is returning to profit earlier than anticipated makes it likely that monies due to us through our Covenant will begin to flow again earlier than expected. Fortunately, because of the Board’s decision to reject the Banking Group’s proposal to give us interim funding in return for an immediate halving of our entitlement under the Covenant, we will continue to receive the full value of our share of 1% of pre-tax profits under the existing arrangement.

“With our return to grantmaking, I feel the Foundation has turned a corner and can now get on with helping charities at a very difficult time.”

In line with OSCR’s advice to charities to actively keep their constitution reviewed, the Foundation has also taken legal advice on the Foundation’s Memorandum and Articles of Association. The advice was that this documentation was now out of date and, if left in place, may have been open to challenge by OSCR going forward. As a result, whilst the Memorandum remains untouched, new Articles have been unanimously approved by Trustees to bring them into line with current company law. The revised Articles reflect modern practice and good governance, as well as referencing the new charity law that applies in Scotland. The changes also reinforce the Foundation’s independent status, removing the ability of third parties to play any role in relation to the Board.

The updated documents are being placed with Companies House and OSCR today.

Mary Craig added:

“We are delighted that our Chairman Christine Lenihan, who was unanimously reappointed by Trustees, will continue to lead the organisation for the next year.

“It has been a difficult time for everyone associated with the Foundation in recent months. But it’s safe to say that we now feel more secure as an independent organisation and, with funds in place, more confident that we will indeed be here for the next 25 years.”

Notes to Editors

1. Grant programmes will be open for applications in mid-April and charities are being advised to check online at that time for further instructions and information. Awards are likely to be made in mid-summer.

2. Lloyds TSB Foundation for Scotland announced last October that it had closed its door to new applications for grants indefinitely as a result of an ongoing dispute with Lloyds Banking Group.

Because of the Group’s huge losses, there were no monies due to the Foundation through its 25 year old Covenant with the Group. This legally obliged the Banking Group to pay a percentage of one percent of pre-tax profits to the Foundation annually.

Efforts to plug the gap in funding until monies flowed in again from the Covenant were unsuccessful as Lloyds Banking Group refused to discuss any option other than their own proposal. This would have seen the Foundation’s share via the Covenant halved and their independence removed. When the Foundation failed to accept the offer, despite putting a cost-neutral counter-proposal, Lloyds Banking Group terminated the Covenant and served the Foundation with nine year’s notice.

2. LTSBF, in line with many other charities, is a company limited by guarantee with charitable status.

3. Lloyds TSB Foundation for Scotland facts

- Since 1985, the Foundation has awarded almost £85m to charities across Scotland in over 12000 awards
- Since 1997, the Foundation has allocated around £30m to support salaries – and therefore jobs - in the charitable sector.
- The Partnership Drugs Initiative (PDI) has been running since 2000 and is funded by the Foundation and the Scottish Government. PDI works with children and young people around issues of drug and alcohol misuse and has awarded over £14 million to voluntary organisations across Scotland.

For further information, please contact Rhiannon Griffiths at Indigo on 0131 554 1230.

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