

# The Governance Framework and Functional Orientation of British Community Foundations

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**Abstract**—46 Community Foundations registered in the UK Community Foundations are studied to analyze the governance structure and their function in community governance. The decision-making body of the community foundation is the board of directors, the members of which are diverse without remuneration. The executive agencies include departments dealing with fund, finance, development, public relations and projects. The government supports community foundations in policies and funding. Understanding the needs of the community and possessing professional knowledge and skills is the premise of the establishment of community foundations. Policy guidance, peer funding and technology are the driving force for the development of community foundations. To present the annual report on the internet is the guarantee of the community foundation's credibility. Being based on community philanthropy, giving play to community leadership, and participating in community governance is the professional orientation of community foundations.

**Keywords**—community foundation; governance structure; functional positioning

## I. INTRODUCTION

46 community foundations<sup>1</sup> registered in UKCF (UK Community Foundations), which is the umbrella organization of community foundations in Great Britain, are studied to analyze their development model, explore key characteristics, reveal the functional orientation in community governance, and seek the enlightenment on the development of Chinese social organizations and community governance.

## II. BRITISH COMMUNITY FOUNDATIONS' GOVERNANCE STRUCTURE

The decision-making and executive agencies are responsible for the formulation and implementation of the internal affairs in the community foundations respectively.

### A. Board of Trustees: to Develop Strategic Goals

The Board of Trustees is the strategic decision-making body of the community foundation and operates independently. The Board is responsible for developing the

strategic goals of the community foundation, designing and overseeing its vision, mission, and values as well. The Board regularly publishes the development goals, projects and financial status. The trustees are generally elected by the Board, and some of the trustees are appointed by the former trustees when they leave office, or are recommended by current ones. The trustees' term of office is 3-4 years and can be re-elected for 2-4 sessions. The annual report of the 46 community foundations shows that the number of directors is up to 19 and at least 6, with an average of 11 per community foundation. The trustees contribute their time and energy without pay.

In addition to serving on the Board, the trustees have their own occupations, which include health and social work, public administration; civil service; financial & insurance activities; compulsory social security; education; real estate; professional scientific & technical activities; construction; information and communication; arts, entertainment & recreation; wholesale & retail trade; accommodation & food service activities; repair of motor vehicles and motorcycles. This occupational composition shows that the composition of the trustees is diverse, representing the community with extensive social capital.

There are chairmen in all councils, and the setting rate is 100%. In addition, the top five job setting rates are: 25, that is, 54.3% of the community foundations set the position of president; 24 community foundations have vice-chairmen, 52.2%; 23 patrons, 50%; 18 Chief financial officers, 39.1%; 16 vice-president, 34.8%. Among the above positions, patrons, chairmen, and vice-chairmen have made significant contributions to community foundations in capital, technology, time, etc. These positions are set to recognize their outstanding service and contribution to the communities and community foundations, which are honorary positions. The presidents, vice-presidents and chief financial officer are elected by the annual general meeting (AGM), the purpose of which is to plan and review the management, finance, investment, philanthropy, marketing and projects of community foundations.

### B. Executive Agency: to Implement the Decisions of the Board

The executive body of the community foundation is responsible for implementing all decisions of the Board.

<sup>1</sup> Source of data: The website of UKCF  
<https://www.ukcommunityfoundations.org/>, till 31/12/2017.

Each of the 46 community foundations has a chief executive officer who is responsible for day-to-day management and reports on the quarterly meetings of the board. Other executives include the charity manager, the finance manager, the development manager, the charity officer, and the project manager. All these include employees and volunteers without any pay. The statistical results show that the average number of employees in the Community Foundation is 9 and the average number of volunteers is 28.

The primary responsibility of the executing agency is to assist the Board in implementing its decisions with its professional management capabilities. To meet the needs of professionalism, there are various functional sub-committees with clear division of labor, professional operation, and optimized resource within the executive body. The functional departments are diversified, with the top five being grants, finance, development, communication, and program departments, responsible for raising funds, operating finance, the development of new technologies and new products, coordination with various parties, and the operation of aid programs.

### C. External Governance: Guarantee and Supervision

The annual report shows that the community foundations employ specialized agencies such as banks, audit firms, investment consultants and legal departments to conduct external governance. The number of community foundations hiring banks is 46, accounting for 100%; 46 hiring departments, 100%; 39 investment consultants, 84.8%; and 34 legal departments, 73.9%. The role of the legal department in community foundations is to constrain the legitimacy of their actions and to protect them from unlawful conduct; Investment advisers and banks maintain the sustainability of their capital operations from a professional perspective; the audit firm performs supervisory functions on community foundations.

The Charity Commission and UKCF, respectively conduct official and nongovernmental external governance of community foundations. The Charity Commission is a non-ministerial government department in the United Kingdom with the status of a government department but is only responsible for the Parliament and the courts, not the Cabinet. It is politically independent. Its main function is to supervise non-government charitable organizations on behalf of the government, including registration, providing information, legal support, supervision and management, in addition, to investigate the misconduct and mismanagement of charitable organizations. Community foundations need to submit annual reports to it regularly. UKCF is an umbrella organization for community foundations and is itself a registered charity. It manages national funds and funding opportunities, providing direct technical assistance to member community foundations through its network. In addition, it conducts Quality Accreditation on member community foundations every three years from 2007, which is an independent assessment based on recognized standards. This set of standards, supported by The Charity Commission, covers definitions and governance, finance and risk, donation services and development, funding and community

involvement, and public relations. Community foundations must pass this quality certification to manage public funding programs.

### III. THE FUNCTIONAL POSITIONING OF THE BRITISH COMMUNITY FOUNDATIONS

According to Charities Act, community foundations are charitable organizations. Community foundations have local functions in terms of service and operational approach. The duality of this charitable function and local function is the basis for them to participate in community governance.

In the UK, the connection and interaction of local ideas and philanthropy is at the heart of public policy discussions [6]. During the Labor Party period, the government believes that charitable organizations in communities could fully mobilize community participation and reflect the demands of vulnerable groups, thereby effectively creating active communities, promoting social inclusion, and enhancing social cohesion. During this period, the government has set up three programs that specifically support the development of community organizations, which are "Community Assets", "Grassroots Grants", and "Community Builders". For example, the Essex Community Foundation was responsible for the implementation of the "Grassroots Grant" program in Essex, and provided a total of £500,000 in small grants to 133 community organizations in 2008 [1]. During the Cameron period, the localization of the "big society" was part of official policy. The Cabinet Office pointed out in May 2010 that the elements of the "big society" policy include "empowering the community" and encouraging people to play an active role in the community [3]. Since April 2013, some welfare reform measures and budget cuts have weakened charities, but positive policies on communities in the "big society" have offset this negative impact. In addition to policy support, the government also has funding for the community, such as the Grassroots Endowment Challenge and the Community First Fund.

Being rooted in the community makes the community foundation's charity behavior more grounded, not only as a transit point for funds, but more importantly, combining fundraising with local resource optimization, donation services and community leadership. The charity provided by the community foundations has shifted from "output" to "combination of output and domestic demand" and embarks on a development path different from traditional charitable organizations. With the advantages of the platform, local groups can use their own funds to create a more inclusive and fair society in the local context. This is a mutual benefit based on the principle of mutual assistance, which can provide a wider public interest to more community residents, generate mutual trust, community leadership and social capital, and the ability to sustain development and reduce dependence on the outside world. After the external funders left, the community foundation has the motivation to continue to develop, with the locality and the characteristics of satisfying the needs of local residents.

In the process of combining locality and philanthropy, the core function of the community foundation is to become

a bridge between the state and civil society, and to establish a partnership with the government and the private sector to play a balancing role in community governance. With local advantages, the community foundation uses its own flexibility to locate community needs, organize community resources, and provide the outside world with access to social capital and assets to the community to solve community problems.

When community foundations are developed to demonstrate their ability to change communities, they may form community leadership that not only leads the community to improve the well-being of its residents, but also adversely affects the government's decision-making environment. Community foundations focused on local asset development, local control and local decision making are particularly suited to this governance approach [7]. Studies show that community-based communities with high participation can incorporate a broader voice in community decision-making to achieve longer-term, broader community impact [4]. When community policy changes, community residents will be affected the most. The Community Foundation is a bridge connecting residents and other community stakeholders: one end is the residents, and the other end is a variety of resources provided by stakeholders, and several aspects form a joint force, which is linked to govern the community.

#### IV. THE WAY AND EXTENT OF GOVERNMENT INVOLVEMENT IN THE BRITISH COMMUNITY FOUNDATIONS

The government's support for the development of community foundations is mainly reflected in concepts, policies and funding.

In the UK, it is very common for local government officials to participate in the management Boards of community foundations. They believe that since community foundations and local authorities are all working for the benefit of the community, it is beneficial to include government officials in the decision-making of community foundations. For example, former British Prime Minister Blair served as the vice chairman of the County Durham Community Foundation to show his support for the community foundation [7]. He also established his own foundation, the Tony Blair Sports Foundation, which is managed by Durham Community Foundation.

The Labor Party's Blair government, which came to power in 1997, launched the "Third Road" to promote cooperation between the government and civil society, and to promote the development of the non-profit sector by local-led community construction to achieve a pluralistic society [1]. As a result, community development has entered the government's decision-making scope and become an important means of achieving social policy. In 1998, the UK government signed a document "The Compact on Relations between Government and the Volunteer and Community Sector" (COMPACT), which officially established the partnership between voluntary organizations, community organizations and the government. In 2006, the Charities Act 2006 was officially introduced. For the first time, it gives a

legal definition of philanthropy, clarifying the legal status of the Charity Commission and its principles for management of charitable organizations. The annual report of the community foundation is published on its own website and which of the Charity Commission for people to download and view according to the above regulations. Cameron's "big society" values the role of civil society and charities, and believes that social change is not only realized through the government, but also from civil society and charities.

The government generally does not directly allocate funds, but plays a role in the expansion of charitable donations in the Third Sector Office. For example, "Grassroots Grants" is a government program from 2008 to 2011 which costs £130 million. It consists of two parts: a £130 million donation challenge (On the basis of donation of charitable organizations, the government sponsors donation 2-3 times) and a small grant of £80 million.

#### V. ENLIGHTENMENT TO CHINESE COMMUNITY GOVERNANCES

The experience of the British community foundations in the development can be used as a reference and enlightenment for the Development of Chinese community foundations.

##### A. *Understanding the Needs of Communities, Arm Community Foundations with Expertise and Skills*

An important part of the preparation of a community foundation is to understand the community, and to understand the needs of the community [5]. This need is not for a certain interest group or part of the population, but for the common interests of all community residents. The process of understanding the community and its needs, in turn, is also letting the community understand the community foundation. In this process of mutual understanding and communication, the community foundation gradually builds its own community affinity and attracts residents' participation.

The sustainable development of community foundations requires relevant knowledge and skills. It is the management knowledge of operating a community foundation, social work skills of helping community residents and other stakeholders, the social capital of developing community foundations, funding, venues, and human resources that are used to build a community foundation's work framework.

##### B. *Policy Guidance, Peer Funding and Technology to Promote the Development of Community Foundations*

In addition to government support and umbrella organizations' help, the British community foundations are often aided by other charitable trusts in its early stages of development. For example, the Charles Stewart Mott Foundation in the United States provides seed funding, counseling and technical assistance, followed by information, training, and other resources to help them develop.

At present, the laws related to community foundations in China are the "Measures for the Publication of Information

on Foundations” (2006), the “Measures for Annual Inspection of Foundations” (2005), and the “Regulations on the Administration of Foundations” (2004). The administrative measures and regulations are the mainstay, and there are no laws and regulations that are compatible with tax reduction and exemption, accounting, auditing and information disclosure. Without the support and supervision of follow-up policies, the development of community foundations may lack sustainability.

### C. Publishing Annual Report Improving Credibility

Trust is the most important wealth of a community foundation, and it comes from transparency. The British community foundation's data disclosure system is very comprehensive and there are at least three ways to access its complete information. The first is the website of the Charity Commission, in which the assets, income and expenditure of each community foundation can be checked with the charity registration number or the name of the community foundation. The second is the UKCF which contains links to all of the community foundation websites registered here. The third is the community foundation's own registered website, which information on the history, programs, news and fundraising, expenses, etc. can be viewed. From the above three the annual report of each community foundation can be downloaded, which contains detailed information of audits and accounts for each fiscal year. It is important to establish a sound information disclosure system and form a multi-monitoring mechanism combining government supervision, public opinion supervision, and industry self-discipline [2], the advantage of which is that it is conducive to the supervision of the government and the public, and the creation of its credibility. It also helps community foundations expand their influence to achieve sustainable development.

### D. Taking Community Philanthropy as the Foothold, Community Leadership as the Development Direction, and Community Participation as the Goal

In the social transformation of our country, community foundations are a good solution to meet needs of the community in the social and public service. In addition to funding, community foundations have other resources available: volunteers, team cohesiveness, appeal to residents, ability of building partnerships and acting as catalysts, and skills of nurturing programs, community groups, and non-profit organizations [8]. The Community Foundation makes good use of these resources to exploit its economic independence and flexibility. It uses community philanthropy as a stepping stone to open communities, develop community mutual assistance, pool resources, expertise and technology to locate key community needs, solve community public problems and improve community public welfare. From platforms of community philanthropic resources to community leaders, community foundations eventually join community governance to benefit the community and develop together with the community.

## VI. CONCLUSION

At present, China's public management model is transforming from social management to social governance. The transformation of government functions and the increase in demand for public services have provided an opportunity for the development of community foundations. The development of the British Community Foundations provides a demonstration for us. On the basis of the community building, combining with the practice of our community development, it is available to draw on the policies and measures of the British government to promote the development of community foundations, and then achieve the transformation and sustainable development of community services.

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