



Making charities for the efficiency of the armed forces more efficient

Charities sometimes need to rationalise their restricted funds. Below is an example in the context of a regiment (Regiment A), where there might be several funds or charities including:

- a benevolence fund for service personnel and former service personnel of Regiment A and their respective dependants which receives its funding from the "Day's Pay" scheme
- a regimental association of service personnel and former service personnel which receives its funding from the benevolence fund and membership subscriptions
- benevolence funds for service personnel and former service personnel and their respective dependants of regiments B and C which were disbanded and/or merged into Regiment A some years ago
- a Museum funded by visitor entrance fees or a collection of weapons, silver and/or plate which has little or no independent funds to pay for repairs and maintenance

A rationalisation of the funds might be suggested by the Charity Commission in the event that one or more of the regimental funds is required to register (i.e. where it meets the £100,000 minimum threshold for registration). The re-organisation of funds has a number of advantages including reduced administrative costs and a saving in audit fees if funds are merged. The re-organisation of the funds will also provide a useful opportunity to review the terms on which the assets are held by the trustees. This is particularly the case where there is no formal written governing document and the purposes of the funds have been determined by long usage as recorded in regimental standing orders.

The extent to which the funds can be rationalised will depend first on the similarity of the objects of the funds in question and secondly on whether there are any restrictions on the expenditure of the capital of the funds.

Where the restricted funds or charities administered by the regimental trustees consist of investment portfolios which are intended to generate income to use for the charitable purposes of the funds, it may be possible to merge those funds into a single charity. Depending on the size of the sums involved the trustees may be able to pass resolutions under the Charities Act 2011 to give effect to a merger. Alternatively, the Charity Commission might be prepared to make a scheme to merge various funds into a single charity. Where there are a number of funds, such as a commanding officer's fund and a band fund, it is possible for those funds to be combined into a single charity having as its object the promotion of the efficiency of the armed forces. Similarly, one or more charities established for the relief in need of serving or former serving members of the regiment, or their families and dependants might be merged into a single charity for benevolence purposes. It may be possible for a single charity to be established with one or more charitable purposes and for the property of the "merging" charities to be earmarked for a particular charitable object relevant to the original objects of the merging charities. This will help reduce the number of charities to be administered by the trustees.

It is not usually appropriate to include in the merged charity any charities or funds which have an active membership, such as a regimental association. Such a charity will typically receive subscriptions from its members and the members play an active part in the administration of the charity. In these circumstances it is preferable for the association to continue as a separate charity.



Where a charity owns property, employs staff, or is an operational charity, rather than a grant making trust, it might be preferable for the charity to be constituted as a company limited by guarantee or as a CIO. This may have the benefit of limiting the liability of the trustees, for example, against third party contractual claims. In such a case it might be possible for the company to receive some of the assets of the regimental funds or charities. More typically however the charitable company could be appointed as trustee of the various individual funds. Such an arrangement is particularly useful where there are restrictions on the expenditure of capital of the individual funds.