



Branch News

Dear Colleague

The Legion calls for support from branches to maximise return on assets.

I am writing to ask you to support an important initiative implemented by the Board of Trustees which will both benefit branches and ensure that the Legion complies with statutory requirements.

I am sure that like me you will be alarmed to learn that the Legion has effectively lost more than £3 million in interest payments over the last five years.

How is this happening? In the year to September 2005, locally held Branch funds received less than 1.4% interest as opposed to 4.5% interest which would have been received if those same funds had been held centrally. This represents a loss to the Legion of more than £600,000 per year.

Just think what we could have done with that money – the people we could have helped.

This is more than just a lost opportunity – it's a requirement. Under Charity Law the Board of Trustees is responsible for all Legion assets including funds held at Branch level. The Board is responsible for ensuring that the Legion gets the best possible commercial return on those assets.

We cannot let this situation continue. The Board of Trustees has debated the matter and has recently voted to implement a requirement that all branches divide their funds in two:

- A locally held fund representing two years running costs;
- A centrally held fund which will be managed on their behalf by the Finance Department and which will receive the Bank of England base interest rate.

Each Branch will continue to control its funds. Access to centrally held funds will be simple and fast. The system will ensure that the Legion is operating best practice for charity accounting. It will enable us to safeguard our assets and, with the better rates of interest, ensure excellent provision of welfare services to our beneficiaries for years to come.

We hope this leaflet answers all the questions you might have. With the support of all branches the system will be up and running by November this year. Please help to make this initiative a success.

Regards

John Hawthornthwaite
National Chairman

Your questions answered



Why do the Board of Trustees feel this change is necessary now? My Branch has managed its own money for many years!

There are two main reasons:

- In the year to September 2005, locally held Branch funds received less than 1.4% interest as opposed to the 4.5% which would have been received if those same funds had been held centrally. This represents a huge loss to the Legion of £677,000 per year;
- Under Charity Law the Board of Trustees is responsible for all Legion assets including funds held at Branch level. The Board is responsible for ensuring that the Legion gets the best possible commercial return on those assets.

This change does not reflect on the manner in which your Branch has handled its accounts. It will ensure that the Legion complies with statutory requirements and it will give your Branch access to the best possible interest rates, thereby generating more funds to use in our vital welfare work.

Doesn't this system already exist?

Yes, some branches already have centrally held funds. Those branches have been regularly accessing their centrally held funds and getting higher rates of interest on the balance.

How much money will my Branch be allowed to hold at local level?

At local level, your Branch will be able to hold either two years running costs or £200, whichever is the higher. Your Branch's running costs will be calculated by the Finance Department using your Branch accounts for the year which ended 30 September 2006. Branches that receive rental income will have this amount deducted from their running costs to give a net amount to be retained locally.

What do we need to do?

The result of the calculation of your Branch's running costs will be sent to you by a Letter of Notification in August 2007.

In preparation for this, your Branch must ensure its 2006 accounts have been submitted to the Finance Department so that the running costs can be calculated. If accounts are not submitted, your Branch will



only be allowed to hold the minimum amount of £200 at local level.

Your Branch will need to determine the total funds it holds at 30 September 2007. You should then deduct the running costs sent out in the Letter of Notification. The balance will be the funds to be held centrally on your behalf.

How do we transfer the money to my Branch's centrally held fund?

By cheque, with the form issued with the Letter of Notification. This cheque must be returned by 31 October 2007. The new centrally held account details will be sent to your Branch shortly thereafter.

What about the income (such as fundraising, rent, Branch fees) received locally by my Branch after 30 September 2007?

Your Branch should bank this locally. Branches will still be encouraged to raise funds locally for welfare and running the Branch wherever possible. Your Branch can send further funds to be held centrally, if it wishes, to gain the higher rate of interest.

What interest will my Branch receive?

The interest rate will be the full Bank of England's Base Rate. There will be no administration charge on the account and your Branch will receive the full interest added to your centrally held funds.

Who will account for all this in head office?

The money will be managed on your behalf by the Finance Department.

What about future running costs?

The calculation of your Branch's running costs will be reviewed every three years.

Will anyone else have access to or be able to use my Branch's money?

Absolutely not. The centrally held funds will be managed on your behalf just like your bank account. You will receive a statement once a year in October.

Will it be difficult for my Branch to access its centrally held funds? How long will it take?

It will not be difficult at all; your Branch merely sends a request to your County/District Secretary to transfer funds



How to access your branch funds under the new system

from the centrally held account. They will, in turn, notify the Finance Department. The Finance Department will issue a cheque or make a payment to you within seven working days of receiving the request.

So your Branch can still donate to a Legion activity, such as a Poppy Home, Poppy Break Centre, the Poppy Appeal, the Central Benevolent Fund or a County Welfare fund.

What will happen to money that is currently in investments?

Any investment in a bond or a notice account will continue to be retained by your Branch until it matures.

However, you must not enter into any new investments. Should your Branch hold investments, such as shares, Charities Official Investment Funds (COIF) or Charities Deposit Funds (CDF), you must sell them before September 2007 and send the money to the Finance Department in October, to be credited to your centrally held account. Those funds currently held centrally in COIF or CDF will be realised and the money will be credited to your Branch's centrally held account.

Decide on requirement for funds



Apply to County/District Secretary
for valid expenditure



Agreement to expenditure



County/District Secretary emails
Finance Department to release funds



Funds sent within 7 working days
of receiving email



What will happen to restricted funds?

Any genuinely restricted funds will be kept separately as restricted funds and they will be included in your Branch's account statement sent in October.

So there's no significant change to the way we currently do business, then?

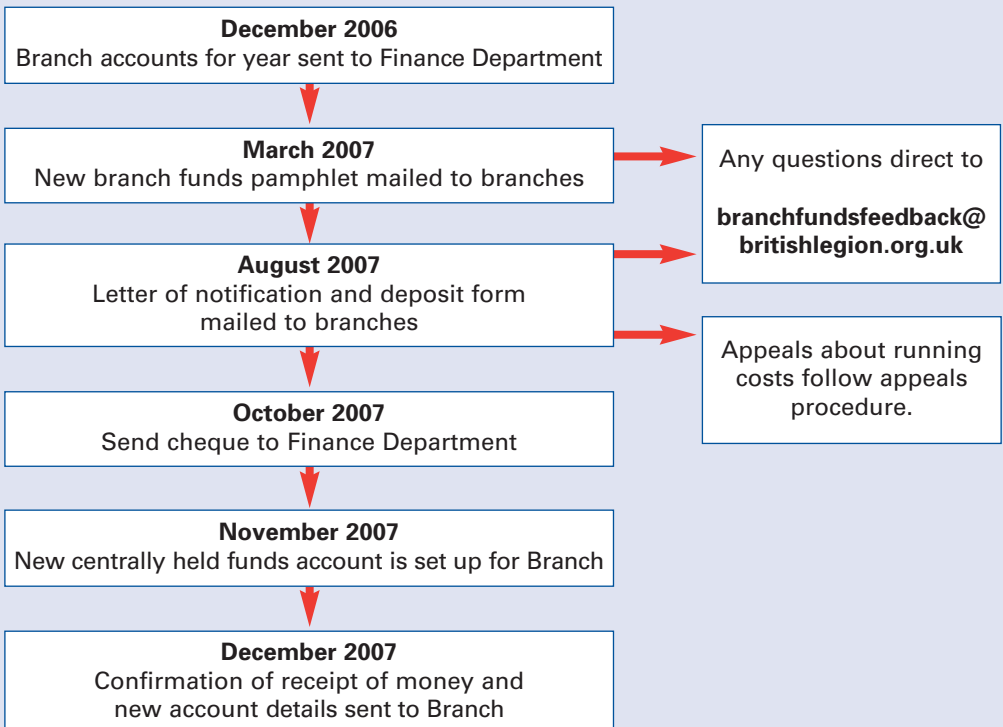
That's right. All of your Branch funds are still available for you to spend on activities within the Legion's objectives. In fact we expect your Branch to have more funds to spend on welfare, because the interest rate is likely to be higher than you can earn locally.

This system ensures that the Legion adheres to best practice for charity accounting and it will be an important way in which we can safeguard our assets and ensure excellent provision of welfare services to our beneficiaries for years to come.

Will my Branch be able to appeal against the amount calculated as two years running costs?

Yes, you will. Details of the procedure will be included in the Letter of Notification which will be sent to your Branch in August. An appeal can only be made on the basis that the circumstances of your Branch have changed since the 2006 accounts were completed and, therefore, that the two years running costs calculated on these are either incorrect or out of date.

Timeline for setting up new branch funds system in 2007



*We hope we have answered your questions. If you have any more please write to:
The Branch Administration Department, 48 Pall Mall, London, SW1Y 5JY
Alternatively, you can send an email to branchfundsfeedback@britishlegion.org.uk
Please mark your envelope or email 'Subject Ref:QB'*