



Branch Funds – a letter from the National Chairman

Dear Colleague

In April, the Board of Trustees asked Branch Chairmen and Treasurers to support an important initiative to maximise the return on Legion assets. We informed Branches that we were introducing a new system whereby their funds would be divided into two:

- A locally held fund holding two years' running costs
- A centrally-held fund, to be managed on the branch's behalf by the Finance Department, which will receive the Bank of England base interest rate.

This stimulated much discussion within the Legion. A motion of urgency tabled at our Annual Conference in May, urging the Board of Trustees to rescind the instruction to Branches, was carried by a large majority.

However, it was clear from the debate at Conference and in conversations that my fellow Trustees and I have had with County and Branch officials,



that much of the argument was not against the principle of having centrally managed funds.

Indeed, many of the delegates who spoke in favour of the motion did not object to the initiative itself - they were not happy about the way in which the initiative was introduced and the timescale proposed.

We made a mistake by not discussing the new scheme more widely with our membership before launching it. We should have allowed more time in the

programme for Branch officers to confer with members. The result of the motion was debated at the June meeting of the Board of Trustees.

As Trustees, we are compelled by law to ensure that the Legion is operating best practice for charity accounting. In particular, we are obliged to have oversight of all funds held for charitable purposes and to maximise the return on all charity funds.

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However, the Board of Trustees acknowledged membership concerns and we decided that the following changes should be implemented, effectively rescinding the original scheme:

- To defer the deadline for Branches to send funds to be centrally held from 31 October 2007 to 30 September 2008
- To remove the necessity for the County/District Secretary to agree the release of funds, thus ensuring prompt transfer of Branch funds from their central account to their local account.
- To do away with the requirement to calculate the level of running costs for a Branch. Instead, all Branches will be allowed to hold locally a base level of funds set at £1,000.

The level of £1,000 has been set as this is considered sufficient for most Branches to continue with their normal year round activities without having regularly to draw down or deposit funds into their account at head office. A significant number of Branches do not hold this level of funds, and will therefore not be affected by this initiative at all.

However, any Branch which considers that this level of locally held funds will be insufficient will be able to request a higher base amount. We believe these measures will allow time for much wider discussion at all levels. And they will be simpler to operate.

Some Branches have already begun the process of forwarding funds to their centrally held account. Others that wish to bank



National Chairman Peter Cleminson

their funds centrally will be able to do so at any time before the new deadline and, in doing so, begin to earn higher interest from 1 October 2007 (currently 5.75 per cent per annum).

In the year to September 2006, locally held Branch funds received less than 1.5 per cent interest overall – as opposed to the interest which would have been received if those same funds had been held centrally.

Based on the Legion's recently published accounts it is now clear that this represents a loss to the

Legion of almost £1,000,000 per year. Just think what we could have done with that money to support our beneficiaries!

The Legion has an amazing record as a force for good. By backing this initiative as soon as possible, you can help to ensure that the Legion can continue to provide much needed welfare services to our beneficiaries in the serving and ex-Service communities without detriment to your Branch activities.

Peter Cleminson
National Chairman

It works for us, say Legion Branches already using the centrally held funds system

Legion Branches now have an extra 12 months to bank their funds centrally with head office. However, some Branches are already using the scheme successfully and benefiting from the improved rate of interest.

Jim McDonald, Treasurer and Membership Secretary of Cheriton & Morehall Branch in Kent says that his Branch banked the profits from the sale of an old club several years ago.

'We're happy with the system – we get a better return on our money and no trouble getting access to it'

"We've drawn on the money regularly with no problems," he explains, "and the original amount has gained quite a bit of interest since we've had it. So we're happy with the system – we get a better return on our money and no trouble getting access to it."

Branch President Desmond Collins adds: "After we received the letter about the new system, we did have a vote on it and we agreed unanimously to support it."



From Cheriton & Morehall Branch, *from left to right*, Treasurer Jim McDonald, Chairman Jim Reid and President Desmond Collins

Barking Branch also uses the system. Their Treasurer, Michael Davies, says: "I can understand why people have had reservations – it's the fear of the unknown.

"But we've had our welfare funds banked centrally for five years and if we need to draw on it, we get the money back by return with no problems," he adds.

"Having said that, I think it's good that we won't have to seek County Secretary approval as that could potentially hold things up. But with the increased interest and less administration for us, it seems like a good idea."



Michael Davies, Treasurer of Barking Branch

Your questions answered

How did you arrive at the figure of £1,000 for the base level of locally held funds?

We have undertaken a detailed review of the accounts received from Branches for the year to September 2006. The outcome of this review is that, on average, most Branches will not require more than this to carry on their normal activities. The amount held by a Branch should be sufficient for both the general and welfare activities of the Branch.

What if £1,000 held locally is not enough for our Branch?

We recognise that certain Branches, particularly those that have properties, may at times need to hold more than £1000. Those branches can request to hold a higher level of locally held funds by sending the form that is enclosed with this **LegionLetter** to Finance Department.

Finance Department will consider the request and, if appropriate, agree a revised level of locally held funds. If agreement cannot be reached (although this seems unlikely because a Branch can always transfer further money from its centrally held fund as required), there will be a right of appeal to review the circumstances. This appeal panel will include a representative from a Branch from within a different County.

How will we get our money when we need it?

An email, fax or letter should be sent to Finance Department by an officer of the Branch. We will need the details of the Branch bank account. Once we have these details we will be able to transfer funds electronically directly into this account which will arrive in three working days. Obviously funds will only be transferred to an account in the name of the Legion Branch.

A full guide to everything you need to know about the new scheme will be issued next Spring.

How will donations to a Legion activity or welfare fund be paid out of Branch funds?

When a Branch wishes to make a donation to other Legion activities, for example Poppy Appeal, County Welfare Fund or a Legion Home, an instruction by email, fax or letter should be sent to Finance Department, where an internal transfer of funds will immediately be made from the centrally held account to the relevant Legion activity the Branch wishes to support.

Why can't the Legion's bank provide the same facility locally?

By having all the funds in the central accounts, Finance Department is able to assess the level of all the Legion's available funds and obtain the best rates by investing them appropriately. Our bankers have advised us that if the accounts are spread over many branches around the country, they would be considered as current and deposit accounts balances and they could not consider paying such high rates of interest.

Why are we being encouraged to deposit our funds early?

The sooner the funds are invested in your centrally held account, the sooner the Legion can earn more by investing them, and the earlier your branch will benefit from the high interest rates it can earn on its money.

Why do we have to close our Charities Official Investment Fund (COIF)?

If you have a COIF deposit account, you should close it because you will receive a higher rate of interest under the scheme. If your COIF account is share based, it is not appropriate for a Branch to invest in this way because:

- there is a risk to branch funds if share prices fall

- under trustee law and The Trustees' Investment Act, there are onerous responsibilities imposed on the committee and procedures required, which most branches would not be suitably qualified or have the structure to put in place – we need to protect local committees
- again, the Board of Trustees would not have oversight of the funds and it would be difficult for them to monitor them, as they are required to do
- it is better for the Legion's qualified investment committee to oversee all the Legion's investments. Lower investment costs will be incurred and improved investment performance should be achieved.

How will we know how much interest has been added?

Finance Department will issue an annual statement to Branches giving details of the receipts and payments and interest added for the year to 30 September. These will be distributed by 31 October each year.

How many extra staff will be required to operate the system?

No additional staff will be required. We anticipate there will be additional work in setting up the system. However we expect there to be a saving in time for both staff and volunteers in the future as they will no longer have to spend time dealing with various financial institutions spread around the country when Branches have problems with local accounts. A significant amount of time is spent chasing accounts where the local signatories have either died or moved away and we have to deal with the financial institution directly.