

# Charitable Trust Transfers

There are thousands of small charitable trusts across the UK that are either dormant or inactive, or ineffective. You will no doubt have come across charities or charitable trusts that have ceased to operate for a variety of reasons, often through circumstances that are beyond the control of the original trustees.

Reasons why a charitable Trust may become dormant or ineffective include:

- The original purposes may be outdated and irrelevant to current needs
- The purposes may have been fulfilled or ceased to exist or the beneficiaries may no longer exist.
- Funding challenges, that many in the voluntary sector are facing.
- The fund may be too small to make a significant impact (as it generates almost no income) or a lack of expertise may make grant decision-making challenging.

With larger funds, it might be that over the years the trustees are not able to distribute funds and they become dormant, or moribund. Trustees may find it hard to stand down or to find someone to replace them, or they may not fully understand their legal or financial obligations.

## Our experience

We can provide a range of solutions from assisting with grant making to taking over a trust completely. If they wish, the client can retain an involvement without having the financial and legal responsibilities.

Working together with professional advisors, we can assist clients with trust transfers, moving the funds into another endowed fund with modern and applicable objects. We are able, if it is required, through the transfer process to change the specific objects of the trusts and continue to distribute grants in the spirit of the original founders.

The Charity Commission acknowledges that community foundations have a reputation for the effective management of charitable funds in order to maximize their impact at local level.

With active trusts, it may be that Trustees are looking for a sustainable approach to their fund, to ensure that the excellent work they have undertaken for many years is continued in perpetuity without losing involvement in the funds. As an alternative to transferring a trust, where applicable, we are also able to take over the management of active trusts, sometimes by becoming corporate trustees of an existing trust.

Trustees of charities and community groups facing closure may decide the work that the Bedfordshire and Luton Community Foundation does to support local communities and individuals is in line with the aims of their group and that a transfer of funds to the Foundation would ensure a worthwhile and effective use of remaining assets. Whatever the reason for closure, it is not uncommon for organisations to have residual funds and the trustees will be required to distribute these in accordance with the dissolution clause in their governing document and may turn to you for assistance. Charity Commission rules are clear that residual assets should be passed on to another charitable organisation that can use such assets to follow the same or similar objects.

## The Benefits of transfer to Bedfordshire and Luton Community Foundation

- Bedfordshire and Luton Community Foundation can often provide better returns on investments as we are able to pool larger sums of money which are effectively and prudently managed through appointed investment managers.
- Our local expertise means that we can often find beneficiaries and causes that provide the 21st century equivalent of the issues the original trust was set up to tackle.
- In some cases we have 'match funding' schemes in place such as the Government's Community First programme that provided a 50% match on eligible donations.
- Trustees can release the responsibility of managing and administering a trust fund directly, but retain an interest in the fund by acting as an adviser or continuing to award grants.

## Options for transfer

There are several options that can be considered under relevant sections of the Charities Act. This can include:

- Closing a trust and transferring the proceeds to the Foundation. Any group or charity wishing to pursue this should ensure that this action is in compliance with their governing document, and where relevant, has the approval of the Charity Commission. We can assist in writing to the Charity Commission to enable this to take place.
- Bedfordshire and Luton Community Foundation becoming corporate trustee and retaining the original charity number, but under new management
- The Foundation can also offer a range of grant making services to existing trusts. This can be a fully supportive offering including all of the aspects below, or can just focus on one or more of these elements:
  - o Designing the application process
  - o Promoting availability of grants to the right target audience
  - o Accepting the applications and carrying out due diligence
  - o Producing papers for the panel
  - o Providing administrative support in terms of making the grant payments
  - o Monitoring progress
  - o Providing an annual report on the impact of the grant making

## Case Studies

### Jane Cart Trust

This complex trust had been established in the 18th Century by a wealthy widow to aid the clergy and the poor of a specific geographical area around Dunstable and Houghton Regis. There was a considerable endowment which had to be managed together with almshouses and a grant-making operation. Bedfordshire and Luton Community Foundation took over the management of this Trust in 2012 and provide a full service clerking for the Trust, ensuring all regulatory and legal requirements are complied with, grants are administered effectively and the endowment is carefully invested.

### Contact

If you have any clients with their own charitable trusts that may be struggling to remain active, are actually dormant or would like to find out more about the transfer of assets from closing charities and would benefit from some further advice, please contact Fozia Irfan or Warwick Browning on 01234 834930 to discuss in confidence.