

# Charitable Trust Transfers

There are thousands of small charitable trusts across the UK that are either dormant, 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, inactive 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- The original purposes may be outdated and irrelevant to current needs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 grantmaking to taking over a trust completely. If they wish, the client can retain an involvement without having the burden of 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 objectives. 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.

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 Suffolk 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 objectives.



## The benefits of transferring a Charitable Trust to Suffolk Community Foundation

- We 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 identify current social need and 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 by writing to the Charity Commission to enable this to take place.
- Suffolk Community Foundation becoming a corporate trustee and retaining the original charity number, but under new management.
- The Foundation can also offer a range of grantmaking 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:
  - Designing the application process
  - Promoting availability of grants to the right target audience
  - Accepting the applications and carrying out due diligence
  - Producing papers for the panel
  - Providing administrative support in terms of making the grant payments
  - Monitoring progress
  - Providing an annual report on the impact of the grantmaking

**“ The Shrubland Foundation was originally set up in the 1930s with the aim of helping local people, although more recently no grants were being made. I suggested that it might be a good idea to pass the trust to Suffolk Community Foundation who could invest the capital and put the money to good use helping local charities. So in 2011 the trust was transferred to the Suffolk Giving Fund where it's now used for general grantmaking ”**

**David Nicolson** Personal Tax Manager at Ensors

