

POTENTIAL FOR MERGER: ARMED FORCES CHARITY SECTOR ANALYSIS

A heavily populated sector, serving a changing demographic and need, with potential for consolidation

Armed forces charities are defined as those whose primary purpose is to support past and present members of the UK armed forces, their dependants, and cadets. They do this through service provision, grant-making to individuals and organisations, and maintenance of military museums or memorials. The sector has over 2,200 charities, collectively generating nearly £0.9bn each year¹ and with levels of reserves at £1.1bn². The beneficiary group includes 2.6 million veterans,³ roughly 200,000 individuals currently serving in the armed forces or who are closely connected,⁴ plus families of veterans and currently serving soldiers—though not all consider themselves in need of support. The complexity of need of this group is increasing through age⁵ and the nature of injuries from recent conflicts. These increasingly complex needs—from physical and mental health, to housing, to education and employment—present a challenge for effective service provision and grant-making.

The need for consolidation is recognised, but there is potential for more

The sector has had its fair share of scrutiny,⁶ so we wanted to examine the sector's potential for collaboration and consolidation to achieve greater impact. The Veteran's Transition Review, compiled by Lord Ashcroft in 2014, concluded:⁷

'the maze of welfare organisations and services is hugely difficult to navigate, especially for an individual in serious difficulties. The third sector is extremely important to the transition process and many organisations do an outstanding job, but the sheer number of charities means it is not always clear which does what. Between them they produce no shortage of information, but this is too often confusing and poorly presented.'

Lord Ashcroft went on to recommend that the sector:

'...encourage, through Cobseo, greater co-operation, collaboration and consolidation in the Armed Forces charity sector.'

Examples since then include:

- the Royal Marines Charitable Trust Fund and The C Group merger in 2016 to create The Royal Marines Charity; and
- the January 2018 announcement by the Royal Marines Association and The Royal Marines Charity of their decision to merge.

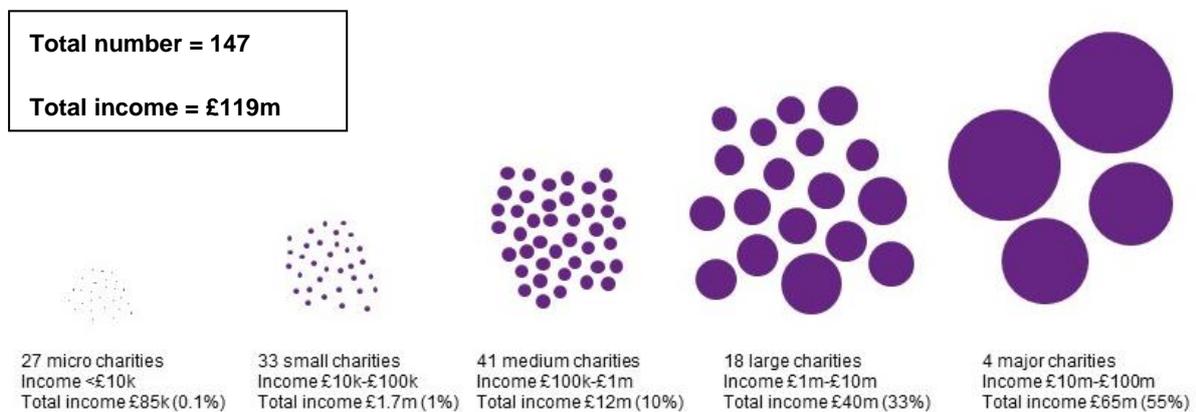
The Confederation of Service Charities (Cobseo) has been working to address many of the issues listed in the review including marshalling the sector around a centralised case management system. NPC's conversations with Cobseo highlight that the issue of fragmentation and collaboration is firmly on the organisation's radar and that members see potential opportunities for greater consolidation within the sector.

The armed forces charity grant-making sub-sector is a microcosm to examine the case for merger

We looked specifically at grant-makers within the armed forces charity sector to explore the potential for further merger and collaboration. We identified 147 relevant grant-makers in our research with total income of £119m⁸. These grant-makers award grants to individuals and to organisations that provide direct support services to the beneficiary group. As in the charity sector as a whole, many of the charities include making grants as part of their services, whilst others have grant-making as their core activity (especially the benevolent funds).

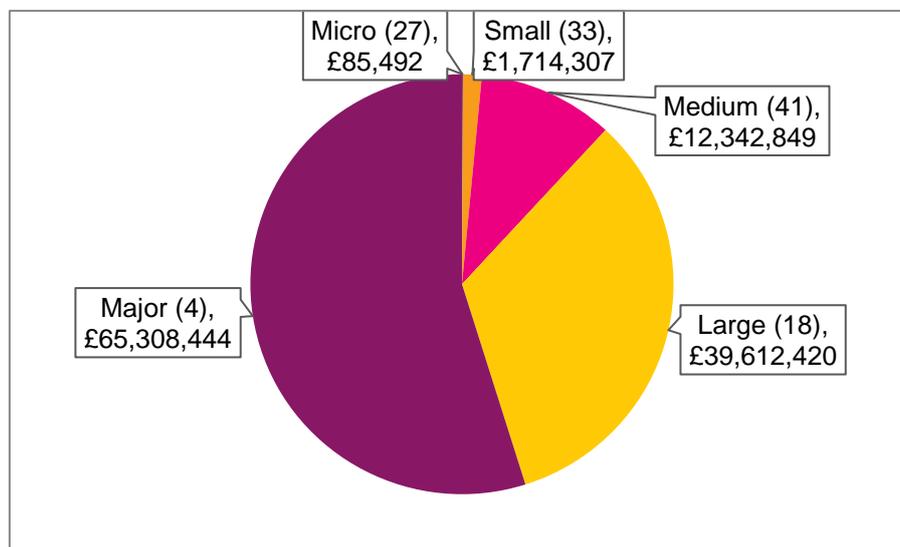
Figure 1 shows the range of grant-making charities and their distribution. £65m, over half of the sector's income, is contained within four charities with income of between £10-100m.⁹ 18 charities whose income ranges from £1-10m have a combined income of £40m. Few of these charities are 'household names': the group includes charities such as the Army Rugby Union Trust and its opposite number in the navy—Royal Navy Rugby Union.

Figure 1: Veterans grant-making charities by number and income



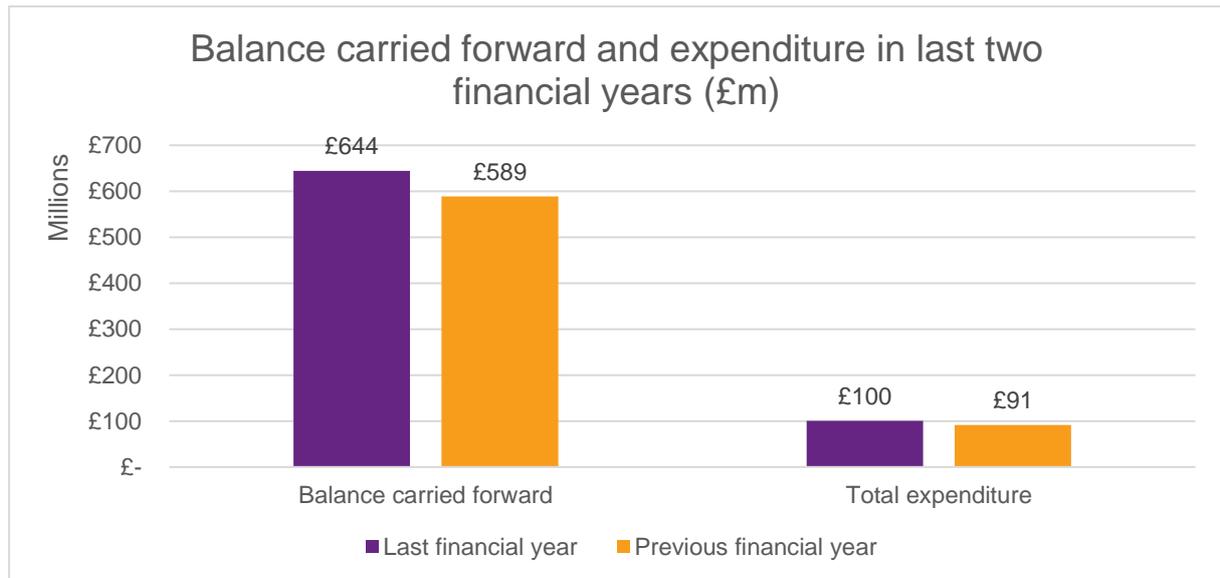
NPC's research into mergers identified that this 'squeezed middle' is often where there are opportunities to merge to create greater coherence in a sector. With further analysis of the services offered and potential synergies there might be scope to consolidate some of the 22 large and major charities that annually bring in over £100m.

Figure 2: Income of each size category of veterans' grant-makers (number of charities in brackets)



Our analysis of the 85 grant-makers that had available data¹⁰ showed they had over £644m of reserves between them, shown as balances carried forward. This is equivalent to six years of annual expenditure. While building up reserves is important for financial sustainability, and some of the money is tied up in fixed assets and restricted funds, this level of sector reserves is a potential resource that could be spent strategically for collective benefit.

Figure 3: Level of reserves and expenditure for veterans' grant-makers in the last two financial years



What would more mergers achieve for the people served by armed forces charity grant-makers?

We have used the evidence of our qualitative research across the charity sector, including the experience of the Masonic Charitable Foundation (published as a separate case study), and applied this to military charity grant-makers in the areas where we see opportunities for change through merger.

More efficient spending

By combining resources, charities could reduce the costs of administering funds, staff, volunteers, legal and accountancy. We know from our general research that cost savings can be made while improving the strategic offer to beneficiaries. In the breast cancer sector, which is also heavily populated, the merger of two charities to form Breast Cancer Now resulted in annual savings of £3m. In this sector, 147 grant-makers suggests an opportunity for sharing grant-making administration. The Royal Marines Association and the Royal Marines Charity decision to merge in January 2018 responded to 'confusion, overlap and duplication, gaps in provision' and highlighted their commitment to 'more effective delivery of services for all beneficiaries..., increased cost-efficiency and sustainability'.¹¹

Reduced levels of confusion about grant opportunities

With 147 grant-makers individuals and other charities who want to apply for grant funding may find navigating the numerous grant options, application and reporting processes confusing and complicated. The experience of the

Masonic Charitable Foundation shows how restructuring to create one single charitable foundation has allowed Masonic Charitable Foundation to streamline its grant-making. A single set of eligibility criteria, contact details and unified website has increased grant applications.¹²

Pooling expertise

Merging is an opportunity to bring together the expertise of passionate staff and volunteers who understand the sector, the grantees and the end users of military charity services, thereby increasing the potential impact of their grant-making decisions. The experience of Masonic Charitable Foundation is that developing a single team has achieved this. The existence of Cobseo should support the smaller charities to obtain expertise when needed, and channel their own to a collaboration.

Greater capacity to raise awareness amongst the general public and protect fundraising income

There is a widespread expectation that the profile of the military will fall as combat operations overseas come to an end, with giving to military charities falling accordingly.¹³ Given the subsector's dependence on fundraising¹⁴ this potential reduction in public awareness could significantly reduce the voluntary donations and legacies for grant-makers and therefore the grants that they are able to give. The Royal Marines Charity and the Royal Marines Association explained in their recent announcement that their merger should enable 'increased clarity of message and brand for beneficiaries and benefactors'¹⁵ and this ability to build and maintain a strong brand and profile may be increasingly important in the future.

Better provision for beneficiaries

The ultimate prize for mergers is better provision for beneficiaries. In this sector, the combination of efficiency savings, a simpler and clearer offer and more streamlined grant-making to individuals, and pooling of expertise could enable grant-makers to provide support in a way that better meets the current—more complex—needs of veterans, people in the armed forces, and their families.

Royal Navy & Royal Marines Charity (RNRMC); strength in federation

In 2007 over 70 funds, charities and independent trusts came together to merge under the legal structure of the Royal Navy & Royal Marines Charity (RNRMC). It was the first move of its kind to bring the Naval sector under one more coherent, effective and efficient umbrella serving the needs of those who serve today or have served in the Royal Navy or Royal Marines and their dependants. The RNRMC Group now has a collective output of over £9.5m in grants.

The impetus to bring so many organisations under one federated structure was largely strategic and beneficiary focused. A flexible federation allows for a more unified voice, understanding of need, improved fundraising and more rigorous and consistent governance. But the decision was also with costs in mind: cost savings through amalgamating numerous support and professional function, access to the best professional advice and streamlined grant-making processes were all clear drivers for change. External factors such as tightening regulation for charities also encouraged partners towards the move.

Since 2009, the RNRMC has also had the responsibility of distributing part of the funds made available by Greenwich Hospital, a unique and ancient Crown body controlled by the Royal Navy. And between 2011-15 RNRMC joined up with Help for Heroes to act as their grant-maker for the funds to the Naval Service, to better reach those in need during the Afghanistan campaign.

Flexible Federation; allowing charities to retain their uniqueness

Many charities with long histories have a strong sense of pride and independence, and whilst this might normally be a stumbling block to merging, this individuality was nurtured throughout the. The structure was adaptable enough that other charities could join further down the line. In fact, of the initial group that joined, nine were unincorporated charities, one as a subsidiary as an incorporated company limited by guarantee, and one a charity with a Royal Charter.

A fluid approach to merging under a federated structure allowed for each charity to retain their independent ethos. Their CEO, Robert Robson, likened the organisation to a convoy, formed over a ten-year process which has been *'all about becoming a voice for naval charities... we are all together but not exactly the same and that's a powerful narrative.'*

Because of the merger, the naval sector now has a stronger national voice, with the RNRMC sitting on the executive committees of both Cobseo and Veterans Scotland, and for charities and serving beneficiaries there is now a single point of contact to access funds.

What might prevent mergers within the sub-sector and how might resistance be overcome?

Veteran grant-makers will face the usual barriers to mergers we identified in the main report. The emotional investment in local special interest groups (such as attachment to a particular regiment) will raise the cultural bar to merger. However this attachment confers grassroots fundraising power that a larger, less locally and personally connected charity might not achieve. The white-labelling alternative—when funds raised by grassroots charities are passed to a larger charity to spend—could harness this power while ensuring effective distribution of funds raised. The expertise of the grassroots charity in regard to individual need should also be used and respected.

NPC's 2018 research into mergers

Mergers as a means of stretching scarce charitable resources are an attractive prospect. Mergers offer strategic potential—reaching more beneficiaries; increasing the range of services offered to beneficiaries; greater heft in policy influencing and contract negotiations. Logic suggests cost savings would be achieved. Despite this, mergers are not as common as might be expected. So why are charities not liking them, or doing them? Much has been published on how to merge, ranging from the legal to the practical, and many sources list expected benefits of merger. However there is a gap: objective analysis of the benefits and costs of mergers, and a balanced assessment of in which situations a merger (or similar) may be beneficial or otherwise.

To help fill this gap, NPC has been commissioned by a group of philanthropists to research and write an independent report on mergers and other efficiency savings. This builds upon NPC's well-read [report](#) on mergers in 2009.

NPC's research included a literature review, 30+ interviews with sector experts, charities and funders, sector analysis and five in-depth and themed case studies on mergers. NPC will publish a series of publications in various formats, including a report, webpages outlining case studies and blogs to share key findings from the research.

We hope to follow this research with further work to tackle the barriers to more mergers taking place.

¹ Directory for Social Change, 2014

² <http://www.veteranstransition.co.uk/vtrreport.pdf>

³ www.gov.uk/government/uploads/system/uploads/attachment_data/file/523968/20160519_APS_Official_Statistic_final2_O.pdf

⁴ <http://www.armedforces.co.uk/mod/listings/l0003.html>

⁵ In 2014, 2.6 million UK Armed Forces veterans were living in Great Britain, 52% of whom were aged 75 or older (Annual Population Survey: UK Armed Forces Veterans residing in Great Britain, 2014). This reflects the large numbers of men and women who served during the Second World War or undertook post-War National Service.

⁶ Most recently the Charity Commission group case report on military charities in October 2017 <https://www.gov.uk/government/publications/military-charities-group-case-report> concerning charities formed in the last decade

⁷ <http://www.veteranstransition.co.uk/vtrreport.pdf>

⁸ This list was created through an advanced search of the Charity Commission website (Key word: 'veterans' in name, charitable objects or charitable activities, What the charity does: Armed forces/emergency services efficiency, How the charity operates: Makes grants to individuals) and the armed forces charities database www.armedforcescharities.org.uk (Ex-service personnel, Welfare activities: provides PTSD and mental health support). Emergency services charities, closed charities and duplications were then removed.

⁹ Size is defined using the NCVO classification based on income from most recent accounts. Micro = £0-10k, Small = £10-100k, Medium = £100k-£1m, Large = £1-10m, Major = £10-100m. There were no Super Major (>£100m) charities in the list.

¹⁰ 32 of the 147 charities were too small to submit accounts, and the 24 newly registered ones did not have accounts.

¹¹ <https://theroyalmarinescharity.org.uk/news/the-royal-marines-association-and-the-royal-marines-charity-announce-decision-to-merge/>

¹² Taken from Masonic Charitable Foundation case study published concurrently

¹³ <http://www.veteranstransition.co.uk/vtrreport.pdf>

¹⁴ Our data analysis showed for military charity grant-makers 59% of their income in the last financial year came from fundraising.

¹⁵ <https://theroyalmarinescharity.org.uk/news/the-royal-marines-association-and-the-royal-marines-charity-announce-decision-to-merge/>