

CHAPTER 14 - GAINSHARE

THE PROVISION OF WELFARE FUNDS AND SERVICES UNDER CRL

1401. **Introduction.** In a CRL/PAYD environment, the Authority and Contractor will work closely together to ensure the provision of an integrated catering retail and leisure business that benefits the entire Defence Community. This may result in a number of larger non-public clubs and bars being transferred to the Contractor or being closed¹, which may alter the flow of non-public revenues to units to use for welfare purposes. Sites will only achieve gainshare if their trading environments are in profit. SOs are therefore to be alert to those elements that drive expenditure and needs to satisfy themselves that this expenditure is appropriate.

1402. **Current and Future Sources of Welfare Funding.** Units currently draw upon a number of sources for welfare funds. Typically these include:

- a. A small allocation of Public funds in the form of CO's Funds, General Welfare Grants and Sports Equipment Grants. Monies to these public accounts are allocated on a per capita basis either annually or quarterly and annularity is applied.
- b. NAAFI Dividend (where this is still received, e.g, units in Germany) is an occasional input of money which is paid into the non-public funds of each unit.
- c. Gaming machine revenue which is non-public money.
- d. Funds generated by local revenue producing activities.
- e. Grants provided by certain organisations such as the Nuffield Trust, RAF Central Fund and RN Sailors Fund for a specific welfare purpose, such as building a bowling alley or refurbishing a Mess or subsidising sporting and adventurous training activities.

1403. Non-public funds are classed as charity funds under the Charities Acts and must be employed 'to promote military efficiency'. Although as a general principle, sites with large Service populations are in a better position to generate welfare funds than smaller units, the CoC does endeavour to ensure equitable treatment by centrally allocating certain monies such as the NAAFI Dividend when payable. Whilst it is not possible to provide an exhaustive list of how monies are spent, they are utilised for the benefit of Service personnel; the greatest proportion of funds being traditionally allocated to the junior ranks.

1404. There are other effective means of delivering welfare provision by making best use of the resources available under CRL. This may include:

- a. Inward investment by Contractors.
- b. Gaming machine and entertainment machine revenue that will remain non-public revenue².
- c. Funding of activities through self-help.
- d. Utilisation of gainshare in Great Britain (GB) that will flow from a successful contract. (In overseas locations where NAAFI is the Contractor, a dividend will continue

¹ Small 'family' welfare facilities such as a HIVE should not be effected, but CRL Contractors may be able to assist such groups by providing support

² PAYD/3/4/6 dated Jul 05

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to be paid in to non-public funds).

1405. Inward Investment. Although the link between inward investment by Contractors to modernise and improve facilities and welfare funding may not initially be obvious, it is, nevertheless, a very important means of promoting the efficiency of Servicemen and women, particularly junior ranks. Inward investment by Contractors can significantly enhance the environment for all Service personnel and provide services either not previously available to the site through traditional funding methods such as retail and leisure facilities or undertaking the internal refurbishment of existing facilities to a much higher standard than previously possible. Where CRL/PAYD partners assume the management of encroachments, this will not result in a reduction in the overall support and/or services given to individuals. Indeed, the unit should benefit from increased investment in such facilities. Prior to CRL/PAYD it is possible to find many examples where unit non-public welfare funds have been used to refurbish/paint/sustain small clubs that serve a specific welfare need for a small group. If the Contractor can refurbish facilities on a rolling basis the overall improvement in the quality of facilities negates the need for such work to be financed by non-public funds. However, it should be remembered that any investment will be recovered through the trading accounts. Therefore a sensible balance needs to be struck regarding the feasibility of the Contractor investing in outlets where he may not either recover his investment or achieve only a breakeven position. Where there is a perceived welfare need for these outlets the Authority should negotiate with the Contractor and consider funding the requirement through the SPP.

1406. Gaming Machine Revenue. Where applicable, the profit from gaming machines and amusement machines in Junior Rank welfare spaces will be divided between the unit and the Contractor, and both should be encouraged to ensure that the right machines are in the right location and that they are operable.

1407. Self-Help. Units should be proactive in resolving their own requirement issues. The Charities Act permits fund raising amongst members, and it is permissible for personnel to have a sports subscription raised to support the purchase of small items of sports equipment. It is possible that individuals on a Unit could make voluntary subscriptions, this is already occurring in some Army Units. The majority of RN personnel currently subscribe to the Voluntary Sports Subscription.

1408. Gainshare. Gainshare from the GB contracts will be returned to units through a profit sharing mechanism. Fin Pol have decreed that some gainshare will be treated as public money on the basis that profits have been accrued utilising MOD facilities and a MOD subsidy in the form of buildings, utilities and, when CCM is employed, manpower. The remainder will be treated as non-public funds. It has been proposed that gainshare is split between public funds, to form the Accumulated Welfare Fund (AWF) and non-public funds (CAF/PRI/SIF).

1409. Proposed Allocation of Gainshare. The following principles are to be applied to the distribution of public gainshare:

a. **Incentivisation.** All those involved in the partnership should be encouraged to make full and best use of the facilities provided in order to maximise profits. Units should be incentivised to maximise growth. In this manner they may reap some direct financial reward based on their profitability levels. It should also be recognised that some sites may not be able to achieve a profitable position due to their size, location or nature. These sites should also be encouraged to grow the business wherever possible but should not be disadvantaged in terms of welfare funding should they fail to achieve a positive return.

b. **Equity.** The different sizes, functions and locations of units mean that profits will vary dramatically. Units generating low profits or making a loss (assuming that facilities

are totally adequate) should not be disadvantaged and should receive an appropriate injection of welfare funds irrespective of their individual contribution to overall profits. As it is unlikely these units will generate non-public funds of their own, any funding they receive will be from the public funds held by their TLB. Therefore, it is important that the requirements of these units are given a higher priority than those of units that have the ability to generate non-public funds.

c. **Parity of Standards.** In recognition of the trickle posting system, the MoD is keen to ensure, as far as possible, common standards of welfare provision. This applies equally to the distribution of welfare funds received by way of profits from catering, retail and leisure activities, and particularly so to non-public funds that have fewer restrictions on allowable expenditure than public funds. Activities funded from non-public sources contribute greatly to morale, and need to be made available at a suitable level at all locations.

1410. As a public receipt, the public monies portion of the gainshare will normally be accrued by the TLBs/HLBs setting the contracts. The AWF monies will be allocated to the unit COs Fund account and used in accordance with the regulations pertaining to that fund. Non-public gainshare will be allocated to TLBs/HLBs and the individual Services will issue instructions on its usage.

1411. **Calculating Gainshare.** The calculation of gainshare, and any associated contractual provisions, should be referred to the local commercial staff.

1412 – 1499. Reserved.

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