

# True AND FAIR FOUNDATION

## **True and Fair Foundation (TFF) response to the Cass Centre for Charity Effectiveness (CCEE) in their recent paper on the TFF Hornet's Nest Report**

**14 March 2016**

TFF accepts that it is raising issues which challenge the charity sector and places a focus on the UK charity sector seeking greater transparency and accountability in order to achieve a greater percentage spend on the activities for which charities raise their income; much of it from the public, whether directly or via the taxman.

The CASS Centre for Charity Effectiveness' response to the TFF's Hornet's Nest Report borders on the hysterical. There is no reason why economies of scale cannot be expected to be achieved by large charities. TFF has never called for charities to be prevented from conducting trading activities or running charity shops. The Hornet's Nest Report does not claim that any charity that falls below a 65% spend on charitable activity must, by definition, be one or more of poorly governed, unethical or appallingly mismanaged.

The TFF criticism of the original CASS paper stems from their fundamental errors, including not being able to even correctly set out TFF's objectives. Such sloppiness does not explain their allegation that TFF's report had been written for 'unscrupulous ends' as stated in their original paper, a very serious allegation which has now been withdrawn.

The accurate statistics in our report speak for themselves and there is no need to apologise for highlighting the various spends as a percentage income generated. This is, after all, a key statistic that the Charity Commission thinks is important to highlight. In our opinion, it is unacceptable that major charities do not spend far greater percentages of their income on the purposes for which they were established.

In calling for a minimum charitable spend of at least 65%, TFF hopes to encourage a wider debate leading to greater transparency and accountability across the sector with a much improved spend on the charitable activities for which the charities were established. If that upsets the established order, that is a price worth paying.

CASS's Centre for Charity Effectiveness are highly regarded academics with expertise in their field. As a consequence, quite understandably, their views are afforded a corresponding degree of authority

and respect. Such authority and respect should not be abused by making false and misleading claims, which they themselves must know, as experts in their field, do not stand up to scrutiny.

The original CASS paper sets out numerous statements which, as leading experts, they should have known were without any basis. The original and latest paper is far from being a work of academic excellence. Given TFF's detailed rebuttals below, the authors of the CASS paper appear to have been reckless in producing their original and subsequent papers, failing the standard expected by an academic report.

The original TFF Hornet's Nest report raised eight serious recommendations / discussion points, yet we find it surprising that in an academic paper on the TFF report the senior team of the Centre for Charity Effectiveness chose to focus only mainly on one point out of eight (point 2).

1. Should there be an urgent review of the rules that allow organisations to be granted charitable status? Especially as this status means charities often pay less tax into the public purse, benefit from tax reliefs such as rent and rates, and often receive gift aid, which is essentially the public's money.
2. Is it now time for a voluntary or mandatory minimum annual dispersal rate set for charities? It is the view of the True and Fair Foundation that a minimum annual dispersal rate of 65% should be debated.
3. Is there a need for a simpler accounting methodology to enable greater understanding by donors about charities' finances?
4. Does the sector require more financial oversight and accountability?
5. Why are donors - private, corporate and government - not asking more questions about the charitable work being delivered by charities?
6. Is it time to impose a 'Give & Good label' across the charity sector which would clearly allow donors to see how much of annual income is being spent on the end charitable activities?
7. Should there be a periodic three-year review of organisations' charitable status?
8. Should there be limits on senior executive remuneration, including pension provision?

CASS Business School claims to be the 'intellectual heart of business'. This paper suggests that any quality control mechanism seems to have been missing in this instance. In our view, what has been published is amateurish and intellectually bankrupt.

## TFF Detailed Responses:

CASS

1. If charities took this advice, there would be no charity shops, no charity Christmas cards and, very quickly, no charities, as they would all have gone bust.

*TFF - As experts, CASS must have known that there was no basis to this gross exaggeration and false claim. There are many charities that consistently spend 65%, whilst operating charity shops and produce Christmas cards, who would, therefore, continue to exist and would not 'go bust' if charities were expected to achieve a charitable activity spend of 65% or more. For example, the British Red Cross charity runs 320 shops and over the last 3 years its combined charitable spending as a percentage of total income was 70%. It is safe to assume that British Red Cross produces Christmas Cards as a fundraising exercise.*

CASS

2. In the fantasy world of the True and Fair Foundation, Kid's Company would emerge as a brilliant success story as, over the last four years of its existence, it averaged a 90% spend ratio on True and Fair's formula (<http://www.dailymail.co.uk/news/article-3357458/One-fiveUK-s-biggest-charities-spending-half-public-donations-good-causes-spend-little-ONE-CENT-charitable-work.html>).

*TFF - At best this might be described as a cheap shot. Before claiming that TFF would have Kid's Company held as a brilliant success story, had the authors done their research properly, they would have found the public fact that Gina Miller, Trustee of TFF, has actually been one of their staunchest critics privately since 2011 and more publicly from 2013, prior to its demise.*

CASS

3. The language used and the inferences made go much further than the financial and fund raising points they illustrate, leading readers to conclude that some of our best and most trusted charities are appallingly mismanaged.

On page 3 it is stated: The True and Fair Foundation believes that the bad apples within the charitable sector are often characterised by a lack of proper governance and ethical conduct, transparency and accountability, as well as low conversion of income into charitable expenditure.' As the report criticises a number of charities (including the RNLI, Marie Curie and Cancer Research UK) the reader can only infer that these charities are, in the eyes of the True and Fair Foundation, not properly governed and unethical.

*TFF - The claims made in these passages remain highly defamatory and baseless. TFF has never stated or inferred that any specific charity was not properly governed or unethical. No reasonable reader*

*would have read the TFF Report and considered that every charity identified was unethical, mismanaged and subject to poor governance.*

*What any reasonable reader would deduce from reading the report is that there is an issue in the charity sector of a great number of charities, including well-known ones, whose spend on charitable activities, as a percentage of income, is poor/low and that this information is not readily known and/or available to the public. A reasonable reader will have understood from the TFF Report that it called for greater transparency and accountability in order to improve the percentage spend on charitable activities.*

*As experts in this field, CASS should have readily understood the true meaning of the TFF Report and could not have genuinely believed that it alleged mismanagement, a lack of ethics and poor governance against all those charities identified in the Report. They should have also known that the charitable activity spend figures were in line with what the Charity Commission produces on its website (save where corrections had been made).*

CASS

4. The report begins by critiquing the Lloyd's Register Foundation — the charitable 'arm' of Lloyd's Register Group - stating that only 1.3% of its income was spent on charitable activities. This is a complete misrepresentation of this charity's structure.

*TFF - This is another false statement. Lloyd's Register Foundation is recorded at the Charity Commission as a registered charity (<http://beta.charitycommission.gov.uk/charity-details/?regid=1145988&subid=0> ). The TFF report therefore correctly refers to the same legal entity which declares income of over £1 billion. The Charity Commission itself states that just 2% of the legal entity's income has been spent on charitable activities.*

CASS

5. Most of the expenditure of Sheffield City Trust is the cost of running the sports and leisure facilities it operates. It is a large and complex business with a charitable purpose and, again, the details of this are explained within its accounts. Any organisation of this kind will inevitably have a low 'ratio' on True and Fair's formula as its main purpose is providing a public service for which most people pay. This is not appreciated in the report and were the True and Fair 'ratio' implemented it would make such organisations unviable.

*TFF - This statement is false. As experts, CASS should have known - or at least been able to quickly establish - that, for an example, the Manchester Sport and Leisure Trust in its last filed accounts spent 96% of its total income on charitable activities. Therefore, it is false to claim such organisations would*

*be unviable if they were required to achieve a higher level of charitable activity spend (see: [http://apps.charitycommission.gov.uk/Accounts/Ends04/0001068204\\_AC\\_20140331\\_E\\_C.PDF](http://apps.charitycommission.gov.uk/Accounts/Ends04/0001068204_AC_20140331_E_C.PDF))*

CASS

6. The RNLI employs 1,170 on lifeboats, lifeguards and rescue but 503 in support, governance, fundraising, merchandising and other trading.<sup>1</sup> The implication is that 30% of the staff are unproductive in doing things that have no connection with the charity's work.

*TFF - Again, CASS must have or should have known that this claim was highly misleading. The reference to 503 individuals being employed in support, governance, fundraising and merchandising, as against 1,170 employed on life boats and as life guards, was an example of a charity with an apparent disproportionate number of employees being employed other than directly in respect of the charity's charitable activities. This would have been obvious to a reasonable reader of the TFF Report. The TFF Report did not claim that the 503 were unproductive in carrying out action which had nothing to do with the charity's work.*

CASS

7. The same logic<sup>1</sup> is at work in relation to Cancer Research UK. The first suggestion is that those working in fund raising are grossly overpaid. The report says (page 11): We were surprised by the numbers employed within fundraising, as well as some of the salary levels<sup>1</sup> and then gives a table of those in Cancer Research UK who earn above £60, 000.

*TFF - Again, these claims are false. There is no statement whatsoever regarding the salaries of their fundraisers or any others. It is therefore impossible to reach the conclusion that the report says they are (individually) grossly overpaid. The report refers to the overall amounts spent on such activities, thereby demonstrating an aspect of charity spend which is to be considered when reviewing the overall efficiency of performance by the charity sector.*

CASS

8. The uninitiated reader could be forgiven for thinking that this is a list of the earnings of those who work within fundraising when it is, of course, a list of all employees in the organisation who earn above this figure. This is not simply sloppy layout, but an indication of the report's flawed research design and the manipulation of figures to support its perspective.

*TFF – This claim is again wrong. Immediately above the table it is stated: "The number of employees during the year, whose gross pay and benefits (excluding employer pension contributions and awards to investors) fell within the following bands, was:" and furthermore the column of salaries is labelled "Group" rather than "fundraising". There can be no misunderstanding as to which set of employees the information relates.*

CASS

9. In the same year TFF spent only 11% of its income on charitable expenditure.

*TFF - For authors who are charity experts and who were involved in designing the charity SORP, this claim is a serious misrepresentation. It is clear that TFF is a grant making organisation and that the TFF report uses the total 'charitable activities', not simply the 'charitable expenditure' element as used in the Paper.*

*Using the same formula for TFF as the table of named charities within the report, the average spending on 'charitable activities' as a percentage of income over the last three financial years was actually 82%. In the financial year CASS analysed, they appear to have included the sum of £44,367 but excluded £290,419 of grants, shown in the same accounts. CASS should have known that by not adding charitable grants to the charitable expenditure to produce the total 'charitable activities', their claim as to only 11% spend was deliberately and highly misleading.*

CASS

10. Reference to wrong charitable objects (in CASS original report)

*TFF - The failure of the CASS team to properly research and refer to the correct charitable objects within their original report is the clearest demonstration of their deliberate or reckless disregard to the true facts. This team of CASS alleged experts were forced by the TFF to belatedly correct their basic factual error.*

CASS

11. The Charity Commission often questions a charity over whether it has misused charitable funds for political purposes or has strayed away from its charitable mission. In 2016 the Charity Commission may wish to ask the True and Fair Foundation the same question, as this report would appear to be outside its charitable objects (whichever version you apply).

*TFF - The TFF Report does not support any basis for the Charity Commission to examine TFF for misusing funds for political purposes or for allegedly straying from its charitable objectives. The TFF Report clearly identifies the need for greater transparency and accountability as regards charities of all sizes to ensure that better use is made of funds raised by them so that a greater percentage of income is spent on charitable activities.*

*In this respect, the TFF Report calls for a debate about the minimum acceptable figure being set at 65%, which is in fact one of eight points raised for debate and discussion. This is perfectly legitimate as the correct charitable objectives of TFF are to "support small charities by providing funding and*

*practical support to enable them to meet their own objectives." It is extremely difficult for small charities to gain a share of voice in terms of funding, wider charity sector issues and high spending on fundraising by large charities creating an un-level playfield. TFF champions these charities and projects, which includes reports and articles on wider sector issues that are disadvantaging them.*

True & Fair Foundation

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