

EAST RENFREWSHIRE COUNCIL

CABINET

13 November 2014

Report by Chief Executive

EAST RENFREWSHIRE GOOD CAUSES CHARITY

PURPOSE OF REPORT

1. The purpose of this report is to seek the position of Cabinet with regard to a request for annual financial support of £10,000 by local Charity East Renfrewshire Good Causes to support their administrative requirements.

RECOMMENDATION

2. The Cabinet is asked to consider a request by East Renfrewshire Good Causes in relation to an annual financial contribution of £10,000 to support their administrative requirements:

- Option (a) subject to a breakdown of administrative costs by the Charity approve a 3% (£1450.00) contribution based on 2013 expenditure by the Charity for one year only.
- Option (b) decline any further financial contribution to support the administrative needs of the Charity.

BACKGROUND

3. East Renfrewshire Good Causes is a fundraising charity based in East Renfrewshire which awards funding contributions to deserving cases, often individuals or families, many of whose needs are brought to the attention of the Charity by front line Council employees such as Housing or CHCP officers.

4. In early 2012 the Charity advised the Council that it was struggling to continue its work due to the administrative pressure that the work of the Charity was placing on its sole volunteer administrator. It explained that every financial contribution it received from well wishers or corporate bodies was distributed to deserving causes with nothing top sliced to cover administration costs.

5. As a result of its approach to the Council and in recognition of the good work that the Charity carries out in East Renfrewshire Cabinet approved one-off seed funding of £20,000 to East Renfrewshire Good Causes. Cabinet acknowledged that the Council could not commit funding indefinitely therefore one-off funding was awarded on the basis that a Service Level Agreement would be in place, supported by Voluntary Action East Renfrewshire and other appropriate bodies to plan longer term sustainability, corporate and other sponsorship, increase donations through direct debits from individuals (well wishers), and in securing a wider pool of volunteers to assist with future administrative needs of the Charity.

6. The Charity later advised the Council that the agreement to work directly with Voluntary Action East Renfrewshire was not a workable solution for it and this led to a delay in releasing Council funding and a further report to Cabinet in June 2012.

7. In June 2012 Cabinet was advised of the position and approved a solution which included the release of funding of £20,000 on a quarterly basis over a year until fully expended within the terms of the Service Level Agreement. By summer 2013 all quarterly payments to the Charity had been made. Whilst the majority of the terms of the Service Level Agreement had been met satisfactorily, over the course of the year it was apparent that there was little evidence of volunteers being identified or recruited to assist the Charity with administrative support.

MORE RECENT DEVELOPMENTS

8. Following ongoing dialogue and communication with the Charity concerning its administration situation the Council's Corporate Management Team agreed to communicate further opportunities which may be open for consideration by the Charity including ; the provision of information concerning various Trust Funds of the Council that may be available, the provision of further support in relation to assisting the Charity to build a pool of volunteers and the suggestion to the Charity that it may wish to re-consider its policy on a levy on contributions to support administrative requirements.

9. The Corporate Management Team agreed to a further proposal by the Director of the CHCP to investigate further short term support to the Charity from the Older People's Change Fund. As a result of this the Director of the CHCP was able to provide £5000.00 in 2013/14 and 2014/15. This support had two conditions which required the Charity to explore the use of older volunteers to assist with the administration of the organisation going forward and to target funding on older people, particularly to assist with hospital discharge. There is no evidence that the condition to explore older people as volunteers was pursued by the Charity.

10. Around 90% of the Charity's income is used within East Renfrewshire to support individuals, families, schools and other good causes, as a result of this the Director of Education provided a contribution of £5000.00 in 2013/14.

11. In total, since 2012/13 the Council and Older People's Change Fund combined has provided £35,000.00 of support to the Charity.

CURRENT POSTION

12. Notwithstanding the financial support that has been made available to the Charity over the preceding two years it has been in contact with a number of departments in the Council to discuss further the situation with regard to its ongoing administrative burden. For example, it has put forward a proposal which asks the Council to provide £10,000 per annum to cover administration costs, in return for this the Charity will provide £12,000 to purchase occupational therapy aids and disabled adaptations where required.

13. This is a combined total of £22,000 of funding which could normally be distributed entirely to those in need as opposed to being reduced by £10,000 to meet the administration costs of the Charity (i.e. £10,000 from the Aids & Adaptations budget and £12,000 from the Charity's normal expenditure) Local authorities are entitled to recover VAT on costs incurred in the course of 'non-business' activities, which include essentially 'free' services. This applies specifically to local authorities, and not more generally to 'non-business' activities of other bodies, such as charities. As a general rule, charities will only be entitled to recover VAT where it relates to taxable activities (i.e. business activities for which they make charges, and account for VAT thereon). It is therefore likely to be more efficient for the Council to procure aids and adaptations directly, rather than through the proposed arrangements with East Renfrewshire Good Causes.

14. Such a contribution to the Charity would enable it to maintain its policy that no contributions from well wishers are directly impacted by administration costs.

FINANCIAL ASSESSMENT OF THE CHARITY

15. The most recent accounts of the Charity are for the year ended 30 September 2013 which show that the principal source of income is regular monthly payments and single donations. Total income for the year amounted to £49,188, of which £25,432 came from donations, £3,756 from bank interest and £20,000 was provided by ERC as a one-off contribution.

16. Total expenditure for the same period amounted to £48,344, of which payments to beneficiaries totalled £32,359, staff costs amounted to £14,600 and other admin costs totalled £1,385.

17. Therefore, a total contribution of £15,985 (£14,600 + £1,385) set against the disbursement of funds (£32,359) in 2013 represents administration costs of 49%. In comparison, the administration percentage applied by national charities such as Oxfam, Action Aid and Cancer Research is approximately 20%. Administration costs of East Renfrewshire Good Causes are exceptionally high. Costs of between 3%-5% for a charity of the size and turnover of East Renfrewshire Good Causes is more appropriate.

18. The proposal that the Council provides a £10,000 annual contribution to the Charity towards administration costs set against the redistribution of funds represents administration costs of 31%, which is much higher than the other charitable organisations listed above.

19. Charities have two main options for funding these costs, either through the use of volunteers or by putting an organisation on a more professional footing and using a small proportion of donations (usually less than 5%) to cover these costs and doing so in an open and transparent way.

20. In 1996 The Accounts Commission and COSLA jointly published the "Code of Guidance on Funding External Bodies and Following the Public Pound", the Code was designed to assist Councils increasing use of arms length bodies where significant funds may be released, in order to maintain controls over public funds.

21. Whilst the relationship between the Council and East Renfrewshire Good Causes is not an arms length arrangement, the principles of the Code may be applied to any funding relationship a council may have with a recipient organisation. In essence the Code seeks to ensure that:

- councils are clear about the reasons for their involvement in any arms-length funding arrangement
- the extent of the financial commitment and the nature of the financial relationship are clearly specified
- appropriate financial and performance monitoring and reporting arrangements are in place from the start
- provisions are made for the council and its external auditors to have access to records of the funded body
- councils carefully consider the question of their representation in the arms length body
- councils establish limitations in the funding relationship and an “exit” strategy

22. As stated at (5) above the Council, in recognition of the good work of the Charity approved one-off seed funding of £20,000 to support its administrative needs and to enable it time to consider alternative means of meeting future administrative needs. Additional funding was made available by both the CHCP and Education over the last 2 years.

23. These funding streams were intended to enable the Charity’s consideration of longer term sustainability and in doing so to remove any further need for financial support by the Council.

SUMMARY AND CONCLUSIONS

24. The Council recognises the valuable contributions made by East Renfrewshire Good Causes to deserving individuals and groups most in need in East Renfrewshire. In 2012/13 Council provided short term financial support to enable the Charity to meet immediate administration needs and to enable it time to plan a more sustainable future, further financial support has since been provided by the Older people’s Change Fund and Education, £35,000 in total.

25. In 2012/13 the Charity’s administrative cost was 49% of the total distribution figure. This is significantly higher than national UK charities.

26. The Charity maintains a position that no administration fee is set against income and donations from well wishers, a position that is arguably unsustainable longer term. The administrative needs of the organisation appear to be vested in a sole administrator/volunteer. There is no evidence that volunteers may have been secured to assist the Charity with the burden of administration, again longer term, it is argued that this is not a sustainable position.

27. Given the level of administrative costs identified in the 2012/13 accounts of the Charity, the absence of consideration being given by the Charity to charging an administration fee against income and in building a volunteer base to support its future needs, together with £35,000 having been awarded to the Charity since 2012/13, further financial support by the Council is difficult to justify.

RECOMMENDATIONS

28. The Cabinet is asked to consider a request by East Renfrewshire Good Causes in relation to an annual financial contribution of £10,000 to support their administrative requirements:

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- Option (b) decline any further financial contribution to support the administrative needs of the Charity.

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KEYWORDS

East Renfrewshire Good Causes, Audit Commission, COSLA, Voluntary Action East Renfrewshire

Background papers: ERC, Cabinet report, Support to East Renfrewshire Good Causes, 23/2/12