

Arguments around use of percentages

- When it comes to how much money goes to charity for goods collections, there is a difference between it going to the charity and going to 'charitable purposes'.
- Fundraising or trading (collections are both) are not charitable purposes. No matter who undertakes the collection, there will be costs that need to be considered and deducted.
- These costs could include licence application, organising collections, printing and distributing bags,, vans, petrol, sorting and distributing the goods. If done by volunteers, there will still be costs – recruiting, training, expenses, co-ordination, administration etc.
- These costs can vary massively depending on what collection method is used, how many collections, locations, issues of theft etc, and so should not be relied upon as the primary method of deciding if a collection is appropriate or in the best interests of the charity.
- Example figures from charities with shops shows how much variation there is:
- 2010 – charity A generated £116,337,000 through retail and costs were £94,238,000 – this means around 81% is used on costs and 19% goes to charitable purposes.
- 2009 – charity B generated 23,406,000 through shops and costs were £24,411,000 – this means they actually lost £1million on shops.

Implications of % system - processes

- Local Authorities need to ensure that rules around costs and amounts going to charitable purposes are applied equally to charities doing their own collections (through a trading arm or not) and also charities using commercial collectors.
- This would require charities to break out the costs of the activity and say what is the cost and what is the % going to 'charitable purposes'.
- This would place an extra burden on charities, as they would have to break down all the figures on applications. This is at a time when charities have less resources than ever.
- It would also involve Licencing Officers checking all paperwork and going back and forth with the charities to ensure they have all the figures and finding out what is put as a cost and what is not. This is extra work on licencing officers, again, at a time when Local Authorities are having their funding cut and have more work to do, with far fewer resources.

Implications – challenges to system

- This would open local authorities up to Freedom of Information requests (Fol), to ensure the system was being operated evenly – again, a huge drain on income and resources.
- If any disparity was found, the Fol information could be used to start a legal challenge or judicial review. Again, this is a massive drain on resources.

- If licences are refused, more organisations will look to the Minister to appeal this process. This would involve considerable resources of time, money and expertise preparing a case if needed.
- Although the current system only requires looking at the refusal, there is now precedent for the refusal to be overturned (Clothes Aid), which means the process of refusing licence was a wasted resource.
- The Cabinet Office is looking at reviewing its appeal process as it currently does not consider wider circumstances than why the licence was refused. If this system is widened, it means the Minister can consider more circumstances and again, would involve even further resources and give more grounds for refusals to be overturned.

Reason behind percentages:

- We understand that licencing officers are using percentages to:
 - a) Ensure that enough money goes to charity and people know the amount.
 - b) Prevent illegal collection activity from occurring.
- As mentioned, relying on a minimum % going to charity is not the most efficient use of anyone's resources.
- Further reasons are given below as to why a % method does not work:

A – Ensure that enough money goes to charity and people know that amount

- There are already two mechanisms that ensure the money goes to the charity.
- Firstly, charities already ensure that a satisfactory amount of money from commercial collections goes to their charity. Trustees have a legal duty to ensure they act in the best interests of the charity, including when they enter into contracts with businesses.
- Secondly, the amounts going to charity from commercial collections are shown on collection materials, so the public have knowledge of the charity share and can decide if they want to give.

B – Prevent illegal collection activity

- The majority of bogus collectors do not bother to get a licence.
- They either pretend to be legitimate and that they are benefitting and collect without licences, or go out and steal bags that have been left out for genuine charities.
- This means they do not engage with the licencing process and so putting in a % to stop them getting licences is irrelevant.
- However, the charity sector is committed to abolishing bogus collectors and current initiatives include: guidance and education to public, Government round table, awareness raising, working with police, working with trading standards.

Alternative proposal – declaration system

- A solution to this is to have a declaration system to form part of licence applications.
- As well as the licence form, this would entail having a declaration signed by the charity stating that the charity has performed due diligence and are happy with the remuneration going to charitable objects.

- For charities using commercial collectors, this would state that they are happy with the amount they are getting.
- For charities that do collections themselves, this would state that they feel that the balance has been achieved between costs and the amount going to charitable objects.
- Streamlines the process and effective use of resources – means licencing officers fulfilling obligation to ensure a good amount was going charity without overruling the decision of the charity.