

Children's Survival Fund, International

Registered Charity No. 1081820

Introduction

1. This is the statement of the results of an Inquiry under Section 8 of the Charities Act 1993.
2. Children's Survival Fund, International ("the Charity") was registered as a charity in August 2000. The objects of the Charity are the relief of the needs of children anywhere in the world.
3. The Charity is based in London and in the financial year ending 2003 had an income of £1,722,411.

Issues

4. In February 2002 the Commission received a number of letters of complaint from members of the public who found the language used in the Charity's literature offensive. Complaints were also raised about the Charity seeking donations via sweep-stakes and prize draws.
5. After an initial evaluation, the Commission opened an Inquiry on 26 April 2002 to look at:-
 - the content of the Charity's fundraising literature;
 - the Charity's fundraising costs compared to its direct charitable expenditure; and
 - whether the Charity was undertaking charitable activities

Findings

6. We established that the Charity generated income via mail-shots to new and existing donors. The mail-shots contained emotive literature about the plight of children around the world. The mail-shots also gave donors the opportunity to enter into competitions to win prizes.
7. After consideration of the Charity's fundraising literature, we took the view that the Charity's reference in this literature to children affected by drought, as "drying" to death, was distasteful.
8. The Commission also found that the wording used in some of the Charity's appeal literature had generated restricted funds that could be applied only towards the specific purpose for which the appeal was made, for example, the relief of need of children in a certain area of the world. Literature for these appeals appeared to suggest that none of the funds raised would be spent on administrative costs. As such the Commission would expect that 100% of the funds generated by these appeals would be used for the particular purposes detailed in the appeals.

9. The Charity had expended restricted funds on purposes other than those for which they were raised. As a consequence the Charity had created a deficit in its restricted funds. The Charity's accounts for the year ended 31 January 2003 stated that the deficit totalled £1,136,855. The Commission stated that it expected the Charity to repay this deficit.

10. The Charity's accounts for the year ended 31 January 2002, and 31 January 2003 detailed charitable expenditure of £309,371, and £691,515 respectively. The Commission found that the Charity's only charitable activity was the payment of shipping costs for consignments of Gifts-in-Kind.

11. We found that the Charity's fund-raising costs for the year ending January 2002 were £634,879, comprising some 90% of the total funds raised. For the year ending 2003, fund-raising costs were £1,065,480, comprising 60% of the total funds raised. The Commission found these percentages unacceptably high.

12. The Charity had several 'sister' charities throughout Europe and elsewhere. We found that all Gifts-in-Kind donated to the Charity were first donated to SWKFE, a sister charity in the World Children's Fund network based in Europe. We found that SWKFE allocated the Gifts-in-Kind for accounting purposes to other charities in the network.

13. We saw no evidence that the trustees of the Charity had any discretion in terms of the sourcing and application of the Gifts-in-Kind allocated to the Charity by SWKFE. We saw no evidence that the trustees' decision-making was independent from SWKFE.

14. The Charity employed an American company to produce and send out all of the Charity's appeal literature. It also employed a caging company in the UK to receive the Charity's post and pay any donations into a bank account in the UK. As the trustees were based in the US, the Charity's operation in the UK was limited to administrative tasks conducted by two part-time staff.

15. Throughout the Inquiry the trustees regularly missed deadlines for submitting information to the Commission.

Outcome of the Inquiry

16. The Commission advised the trustees to be alert and sensitive to public opinion and criticism in terms of the content of its fund-raising literature. We also advised the trustees that fund-raising methods which meet with public disapproval could damage the Charity's reputation and reduce public confidence in the sector as a whole.

17. Although there is no legal requirement for a charity to detail how the funds raised by its appeals will be spent, we advised the trustees that providing information about these costs would be of value in the interests of transparency.

18. The Commission advised the trustees that in order to ensure that any funds raised are for general purposes and not restricted, care should be taken to ensure that the literature does not suggest that individual donations will be used for specific purposes and should make reference to the appeal being for the general purposes of the charity as such general purposes may include the costs of administration and fundraising.

19. The Commission asked the trustees to prepare a plan for the repayment of the Charity's restricted funds deficit. The trustees provided a plan whereby the deficit would be repaid via the shipment of Gifts-in-Kind beyond that normally shipped by the Charity. However the Commission concluded that the plan did not demonstrate how the Charity would be compensated for the restricted funds that had been spent erroneously.

20. The Commission asked the trustees to submit a 5 year business plan demonstrating how the ratio of fundraising costs to direct charitable expenditure would improve in the future. The business plan submitted by the trustees in 2003 projected that after 5 years fundraising costs would constitute some 79.4% of total fundraising income. The Commission therefore asked the trustees to submit a further business plan whereby fundraising costs would fall below 40% in the next five years, and continue to drop thereafter.

21. The Commission asked the trustees to supply an undertaking that they would exercise their discretion in the sourcing and application of Gifts-in-Kind.

22. On 27 January 2005, liquidators were appointed to the Charity, and the trustees passed a resolution to wind-up the Charity. The Charity could not provide evidence that the restricted funds deficit had been reduced, and we understand that the Charity had accumulated further debts of £300,000, and had only £40,000 in assets.

23. The Commission considered whether to pursue restitution against the trustees. The Commission considered that this action would require considerable expenditure of public funds and other resources. Having assessed the merits of the case, considered the likelihood of recovering funds from the trustees who reside overseas and in view of our approach to proportionality, the Commission has decided not to pursue the trustees for restitution at this time. Once the Commission has received confirmation from the trustees that the Charity has been dissolved we will remove the Charity from the Register of Charities.

Wider Lessons

24. Trustees are responsible for the overall management and administration of the charity. It is an important and general rule that trustees act in person and decisions concerning the charity are taken by the trustees acting together.

25. Although in practice a charity can be administered on a day to day basis without the input of the trustees, employees must be aware that it is the trustees who have the legal authority to act. Just because it is possible for a charity to run without or with an insufficient amount of trustees does not mean it should. If a governing document stipulates a minimum number of trustees then they need to be appointed. Without the required number many decisions taken could lack legal authority and the entire administration of the charity could be called into question.

26. Fundraising is not a charitable purpose.

27. If the Commission decides not to pursue repayment to the charity of sums lost because of a breach of trust, that decision does not eliminate any legal liability to repay. Nor does it bind the present or future trustees of the charity, or the Attorney-General.