

**True and Fair Foundation responds to false comments made by the Charity Commission, ACEVO, NCVO and other critics following the publication of our Report:**

**[‘The Hornet’s Nest – A Review of Charitable Spending by UK Charities’](#)**

**13 December 2015**

The Charity Commission stated<sup>1</sup>:

*"This report has not, however, considered basic information in the charities' accounts, which has led to this flawed analysis.*

*"The Commission has looked at the accounts of the charities named and we would recommend anyone interested in charity finances does the same."*

**Response:** The report analyses one statistic in detail, the amount of income spent on charitable activities. This is the exact same statistic, calculated with exactly the same methodology, as used prominently by the Charity Commission itself on the summary page of each charity on its own website<sup>2</sup> launched March 2015 and viewed six million times in terms of web visits by the general public. Example:

Registered charities in England and Wales

**BETA** This is a prototype - [your feedback](#) will help us improve it

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Data for financial year ending *31 March 2015*

## British Heart Foundation

Overview Financials Documents People Operations

Income	Spending	Status
<b>£288.2M</b>	<b>£287.3M</b>	<b>Up-to-date</b>

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**Charity no. 225971**  
**Company no. 699547**

**Aims & activities**  
THE BRITISH HEART FOUNDATION PLAYS A VITAL ROLE IN FUNDING PIONEERING HEART RESEARCH IN THE UK, IT PROVIDES SUPPORT AND CARE FOR HEART PATIENTS AND INFORMATION TO HELP PEOPLE REDUCE THEIR OWN RISK OF DYING PREMATURELY FROM A HEART OR CIRCULATORY RELATED ILLNESS.

**Contact details**  
Website: <http://www.bhf.org.uk>

**Public address**  
Dr Deborah Prince, British Heart

**36%**  
charitable spending

<sup>1</sup> <http://www.telegraph.co.uk/news/uknews/12046438/true-and-fair-foundation-hornets-nest-charity-report.html>

<sup>2</sup> <http://beta.charitycommission.gov.uk/charity-details/?regid=225971&subid=0>

The underlying figures have been taken from each charity's Report and Accounts:

British Heart Foundation Annual Report and Accounts

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**GROUP STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2015**  
 (INCORPORATING A GROUP INCOME AND EXPENDITURE ACCOUNT)  
 Company Reg. Number 699547

	Note	Unrestricted fund £m	Restricted funds £m (see note 6)	Endowment funds £m (see note 6)	2015 Total funds £m
<b>Incoming resources</b>					
Incoming resources from generated funds					
Voluntary income	2	104.9	9.1	–	114.0
Activities for generating funds	3	170.2	–	–	170.2
Investment income	4	4.0	–	–	4.0
<b>Total incoming resources</b>		<b>279.1</b>	<b>9.1</b>	<b>–</b>	<b>288.2</b>
<b>Resources expended</b>					
<b>Cost of generating funds</b>					
Cost of generating voluntary income	5	28.2	2.3	–	30.5
Fundraising trading: cost of goods sold and other costs	3,5	140.9	–	–	140.9
Investment management costs	5	1.0	–	–	1.0
<b>Total cost of generating funds</b>		<b>170.1</b>	<b>2.3</b>	<b>–</b>	<b>172.4</b>
Net incoming resources available for charitable application		109.0	6.8	–	115.8
<b>Charitable activities</b>					
Research	5	78.5	3.3	–	81.8
Prevention, survival and support	5	31.2	0.7	–	31.9
<b>Total charitable activities</b>		<b>109.7</b>	<b>4.0</b>	<b>–</b>	<b>113.7</b>

That the Charity Commission's own data is incorrect is an issue that needs rectifying:

**113.7m/288.2m = 39% not 36% (as shown by the Charity Commission) but either way, it's not a great number.**

The irony of the Charity Commission, the Regulator, to be making such comments as they have on our Research, means that they must have no confidence whatsoever in their own data, its reliability and substance. Since they are now claiming that our data and analysis, which is also theirs, is misleading. The professional standing of the Charity Commission must come under question in these circumstances.

They also appear to have failed in their regulatory oversight function if they have not questioned why Directors, Trustees and CEO's have signed off the "Consolidated Statement Of Financial Activities" part of their report and accounts if the key data points of "Incoming Resources" and "Costs Of Charitable Activities" are inaccurate or misleading.

**In respect of the NCVO** it is clear from their recent blog in relation to this research, that they are no more than an industry lobbying group that seeks to defend the indefensible<sup>3</sup>.

<sup>3</sup> <http://blogs.ncvo.org.uk/2015/12/12/true-and-fair-foundation-report-is-neither-true-nor-fair/>

The NCVO seeks to deny the simple formula above, as used by their own regulator saying *“It also highlights that charity accounts (which record total incoming resources, such as grants to spent over numerous years) are not the same as company accounts.”*

The NCVO appears to have forgotten that these charity accounts are actually prepared in a special format which is different to company accounts. Charity accounts are prepared in accordance with a particular SORP (Statement of Recommended Practice), designed specifically for charities and which was approved by the Financial Reporting Council following extensive consultations with the industry and trade bodies e.g. the NCVO who regularly comments on such matters.<sup>4</sup>

Furthermore, each of these charities Report and Accounts will have been signed off by the Directors stating *“Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the charitable company and the Group and of the incoming resources and application of resources, including the income and expenditure, of the group for that period.”*

If the NCVO is now saying that charity accounts are not true and fair, and are misleading, it must therefore be true that the directors of these charities have been guilty of deception, by knowingly signing off misleading accounts.

For six years now I have been trying to debate transparency and accountability in the sector – through debates, co-authoring excellent reports produced by The Centre for Social Justice, articles, and giving polite speeches. I am frequently met by denial and abusive comments from the NCVO, ACEVO and others; it is no wonder that the situation has been getting worse when the charities, their industry lobby groups, and their regulator refuse to act properly and responsibly. The thousands of comments at the end of this article should serve to enlighten these bodies and their members <http://www.dailymail.co.uk/news/article-3357458/One-five-UK-s-biggest-charities-spending-half-public-donations-good-causes-spend-little-ONE-CENT-charitable-work.html>

**According to the Charity Retail Association, there are 8,500 charity shops in England alone<sup>5</sup>. These are the costs of running various shops according to various charities:**

British Heart Foundation:	735 shops costing £140.9m <sup>6</sup>	= £192k pa each
Cancer Research:	579 shops costing £58.6m <sup>7</sup>	= £101k pa each
Sue Ryder:	450 shops costing £45.7m <sup>8</sup>	= £102k pa each

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<sup>4</sup> <http://www.cfg.org.uk/Policy/have-your-say/consultations/closed-consultations/2015/january/~media/Files/Policy/Have%20your%20Say/Consultation%20Response%20-%20Charity%20Audit%20and%20Independent%20Examination%20-%2026%20Jan%202015.pdf>

<sup>5</sup> <http://www.charityretail.org.uk/charity-shops/>

<sup>6</sup> [http://apps.charitycommission.gov.uk/Accounts/Ends71/0000225971\\_AC\\_20150331\\_E\\_C.PDF](http://apps.charitycommission.gov.uk/Accounts/Ends71/0000225971_AC_20150331_E_C.PDF) page 74

<sup>7</sup> [http://apps.charitycommission.gov.uk/Accounts/Ends64/0001089464\\_AC\\_20150331\\_E\\_C.PDF](http://apps.charitycommission.gov.uk/Accounts/Ends64/0001089464_AC_20150331_E_C.PDF) page 44

<sup>8</sup> [http://apps.charitycommission.gov.uk/Accounts/Ends76/0001052076\\_AC\\_20150331\\_E\\_C.PDF](http://apps.charitycommission.gov.uk/Accounts/Ends76/0001052076_AC_20150331_E_C.PDF) page 58

**This gives a typical average shop cost of £138k pa each. This equates to a staggering £1.2bn per annum costs of running charity shops in England alone.** It is hard to imagine there is a need for so many charity shops or that there are not more efficient ways to fundraise?

I absolutely agree that costs have to be in the context of impact and outcomes, but it is still a very necessary metric for donors to analyse the efficiency of each charity. In the US they have considered the issue of “how do donors determine which charities best deserve their donors’ dollars?”

Like the debate over the pond, I appreciate there is no definitive answer, due in part to individual preferences of causes, but donors also need to consider the ethics and effectiveness of their preferred charities, and decide how they want their donations spent. Taking the time to become more savvy and selective about charitable donations can ensure that both time and money is helping in the way donors’ intend, not lining someone else’s pockets.

In the US, one public resource for investigating charities is the [Foundation Center](#), which allows access to organisations’ IRS records, but services such as [Charity Navigator](#), The Better Business Bureau’s [Give.org](#) and the American Institute of Philanthropy’s [CharityWatch.org](#) also crunch the numbers on hundreds of charities and rate them accordingly - **all of which shows a clear ‘program / charity spend’.** **The Better Business Bureau and Charity Navigator “both applaud program efficiencies above 66%!”**

It is a great shame that the industry bodies appear to have forgotten that the purpose of charities should be to fund deserving activities and programs, rather than grossly inefficient overhead structures and in many cases over paid Executives and bloated fundraising departments.

*Gina Miller*

*Generosity heals communities*

Founding Partner

True and Fair Foundation

+44 (0)20 7838 8650

[gina@trueandfairfoundation.com](mailto:gina@trueandfairfoundation.com)

[www.trueandfairfoundation.com](http://www.trueandfairfoundation.com)

Registered charity no: 1133001