

13 August 2009

## **NEWS BACKGROUNDER**

### **Are there rules about how much charities must spend on their cause?**

Charities are sometimes asked “how much of the money donated to you is spent on your cause and how much goes to administration and other costs?”

There are always costs associated with raising money and providing services and these vary according to the nature of the charity and the work that they do, and the decisions that those running the charities make. Examples of the range of costs a charity could incur include purchasing sausages for a sausage sizzle or prizes for a raffle, through to paying nurses or counsellors to provide services to the sick.

There is no law or rule of thumb about how a charity spends donations that have been given to it for the general purposes of that charity. Charities are free to make their own choices about such things as paying staff, buying supplies (for example stationery), paying rent, paying for power and phones or any other costs used in delivering its services.

The Charities Act prevents “private pecuniary profit” though, which means charities registered under the Act must not be established for private financial gain.

However, in order to carry out their charitable purposes, charities may purchase goods and services, and pay for such things as salaries and wages at normal market rates. The Commission must be satisfied that all money and benefits flowing from a charity are directed towards advancing its charitable purposes.

Anyone with concerns or complaints about any aspect of a particular charity should talk directly to the charity or to the Charities Commission.

### **Can the Charities Commission look into a charity or its fundraising?**

The Charities Commission has recently established a monitoring and investigations team, to scrutinise charities’ activities and the information they provide, to ensure that they are not engaged in “serious wrongdoing” and that they continue to meet the requirements of the Charities Act, and are wholly charitable in their purposes and activities.

## MEDIA STATEMENT

The Commission can look into a charity’s fundraising if it believes that there is dishonesty involved, or a conflict of interest, or the possibility of the charity being really set up for private financial profit, or if it thinks the charity isn’t fulfilling its charitable purpose.

The Commission’s monitoring team makes its own enquiries and responds to complaints or information it receives about charities where there is evidence to suggest that there may be a breach of the Charities Act.

### **What is “reasonable” for a charity to spend on fundraising?**

There are no hard and fast rules – or regulations – about this. This is something that individual charities make their own decisions about.

Members of the public can then make their own decisions about whether they wish to support a particular charity, based on the information available from the Charities Register and from the charity itself.

ENDS