

Choosing Charities to Donate Money to without supporting high salaries and administration costs

Choosing a charity to donate hard earned money to is not a particularly easy task. Every year the trustees of the Ten-Percent Foundation sit down to work out how to distribute our funds to worthy causes. The Ten-Percent Foundation is a charitable trust linked to Ten-Percent Legal Recruitment. Every year the company donates 10% of its profits to charity via the Foundation. There are two trustees and we determine how to spend the money, which is usually aimed at charities in the UK and Africa together with locally based sports organisations.

This article would be of interest to all those people who feel strongly about donating money to charity that actually makes a difference. It sets out the decisions made by the charity's trustees on a number of causes and how we came to make those decisions. We wrote an article last year detailing the top paid staff at charities and it is one of our most popular and commented on articles on the Legal Recruitment Blog.

NB: none of charities in the article have specifically asked for funding from the Ten-Percent Foundation, although War Child was nominated to receive a donation by one of our candidates. We asked each charity for information on how they determine senior pay. War Child responded but the others failed to do so.

For donations, the Ten-Percent Foundation has preset criteria as follows:

1. The charity deals with a range of work that appeals to us.
2. The charity has no ulterior motive – eg religious teachings or political leanings.
3. The charity appears to do some good and does not just hoard money or spend it frivolously.
4. The charity pays its staff a reasonable and not excessive level of remuneration. For us the level is £75,000 as an absolute maximum. We do not believe a charity, which by definition is dependent on donations and support from the general public, should be paying staff a higher salary than this level and we would only ever expect to see 1 or 2 members of staff on salaries of more than £60,000 in very large charities.

Charities that Interest or Appeal to us

The trustees of the Ten-Percent Foundation are interested in the following types of charity or worthy cause:

1. Charities that support small tangible projects in Africa.
2. Charities that deal with poverty and the effects of poverty in the UK.
3. Specific support for the education of children in Africa.
4. Support for stammering and in particular children affected by speech impediments.
5. Support for people who have Parkinsons.
6. Support for people who have had a stroke.
7. Charities working with ex-offenders.

8. Charities with links to the legal profession (we work in the legal sector).
9. Charities dealing with victims (and perpetrators of) domestic violence.
10. Charities dealing with youth work in areas particularly affected by poverty.
11. Animal conservation – in particular third world conservation.
12. Charities saving the rainforest by purchasing it.
13. Local sports clubs and organisations.

Charities that do not have an ulterior motive

Although one of the two trustees of the Ten-Percent Foundation is a vicar in the Church of England, we do not donate to charities that have a religious purpose to them. In fact we specifically shy away from them. We donate to charities linked to churches and religious organisations, mainly because they are very often responsible for running really good and worthy causes.

There is a way of ensuring that the donation goes towards non-religious services or items, and that is to make a restricted donation. For example, we will donate to at least three charities linked to the Church of England and the Catholic Church, but all of these donations will be restricted and a specification made as to what the donation can be used for. For example one of the donations will be restricted solely to the maintenance of kitchen, laundry and washroom facilities for a charity linked to the Catholic Church but providing a very well regarded service to the homeless in South West London.

Charities that do not just hoard money or spend frivolously

Charities that pay staff reasonable and not excessive remuneration

We have lumped these two criteria together because this is the main part of this article and the two are interlinked.

There are four specific examples of charities we have been thinking about donating to this year and tried to explain our reasoning for not donating. We have included extracts from the charity accounts, taken from the Charity Commission's website. Most of these are 2014 accounts.

The Parkinson's Disease Society (Parkinsons UK)

The first is the Parkinson's Disease Society. Parkinson's Disease is a horrible debilitating illness that at the moment has no cure. A former trustee of the charity suffers from the disease, and in the past we have donated to the Society.

When we consider a charity now we look at the annual accounts to see what has been happening.

Parkinsons UK (as the society is now known) had income of just over £22.5 million in 2014. Legacies account for £11 million and donations & memberships make up £8.2 million. Total costs generating funds were £6.2 million, making a total of £16.28 million available for charitable application.

So in effect just over 75% of the donations made to Parkinsons UK are eaten up in costs.

The charity spends just under £13 million on employee costs including pensions. There are 337 staff at the charity. Just 13 of these are involved in research, which was a surprise to us.

8. Employees and trustees

	2014 £'000	2013 £'000
a) Employees: total costs		
Salaries	11,039	10,018
National Insurance contributions	1,086	1,003
Pension contributions	869	522
	12,994	11,543

Four of the staff at the charity earned £70,000-£80,000 salaries in 2014, two earned £80,000 to £90,000 and one earned £110,000 to £120,000. Pension contributions on these staff in 2014 were £53,100.

	2014 No.	2013 No.
c) The number of employees whose emoluments (including remuneration and benefits in kind and excluding pension contributions) amounted to more than £60,000 was:		
Band £60,001 to £70,000	0	1
Band £70,001 to £80,000	4	4
Band £80,001 to £90,000	2	1
Band £100,001 to £110,000	0	1
Band £110,001 to £120,000	1	0

This means that out of total income of £22.5 million, which remember includes £8.2 million of donations and membership, the charity is paying out just over £600,000 to just 7 members of staff. This equates to 7% of the donations being made to the charity.

13 trustees of the charity claimed travel and subsistence expenses at a cost of £20,940. It is not clear from the accounts how many times in a year the trustees meet.

d) Trustees:

No trustees received remuneration for their services in either 2014 or 2013. A trustees indemnity policy was purchased at a cost of £1,992 (2013: £1,980). Trustee expenses totalling £20,940 for travel and subsistence were reimbursed to 13 trustees (2013: £18,052 reimbursed to 13 trustees).

Our Decision: we will not donate to Parkinsons UK as we do not think the charity passes criteria 3 and 4. The salaries being paid are way above anything we would expect to see and the charity appears to spend the vast majority of donations on remunerating its staff. Furthermore the trustees appear to have claimed quite a considerable amount in travel and subsistence. Naturally whether or not this is excessive depends on how many meetings they have been required to attend in a year.

We asked Parkinsons UK for information on how they reach a decision on pay structures for senior executive staff. We received no reply.

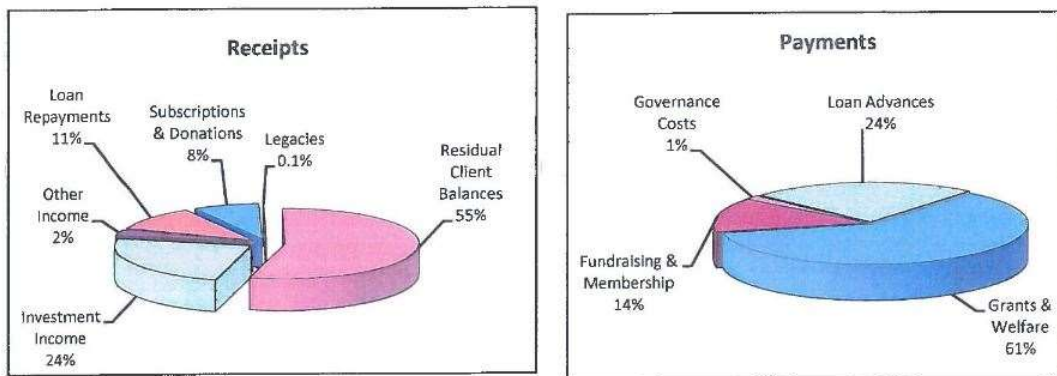
We also like donating to charities with a legal connection. This year we considered (amongst others) Amnesty International and the Solicitors Benevolent Fund.

The Solicitors Benevolent Fund

The aim of the Solicitors Benevolent Fund is to provide relief and assistance for persons in need who are or who have been admitted to the Roll of Solicitors for England and Wales. Relates also to partners of solicitors. Financial assistance is via a grant or a loan.

The SBA has a partnership with LawCare, a charity we support, and also two partnerships with an employment agency specialising in CV coaching and an insolvency practice. The employment agency appears to have provided 15 beneficiaries with careers advice and 8 received advice on insolvency.

The total income was £1.95 million, with £154,700 of this being donations and subscriptions.



	2014 £	2013 £		2014 £	2013 £
Receipts			Payments		
Subscriptions & Donations	154,786	184,304	Grants and Welfare	969,947	916,889
Legacies	1,110	185,335	Fundraising & Membership	218,543	194,919
Residual Client Balances	1,069,963	1,002,814	Governance Costs	25,532	36,005
Investment Income	470,655	473,465	Loan Advances	382,704	305,544
Other Income	46,474	69,200			
Loan repayments	212,817	118,731			
	<u>1,955,805</u>	<u>2,033,849</u>		<u>1,596,726</u>	<u>1,453,357</u>

(Figures exclude recoupment and impairment of investment cost)

The charity appears to have an investment portfolio worth £14.7 million and secured loans to beneficiaries of £4.1 million.

The amount of work the charity has undertaken is as follows:

Notes to the Accounts for the year ended 31 December 2014

Continued

	Unrestricted Funds £	Restricted Funds £	Total Funds 2014 £	Total Funds 2013 £
6. Charitable Activities				
Grants to beneficiaries				
Cost of living allowances	262,845	44,000	306,845	360,025
Supplementary, leisure, special and miscellaneous grants	362,671	-	362,671	212,123
Nursing home fees	2,236	-	2,236	2,750
Student grants	76,000	-	76,000	152,000
	703,752	44,000	747,752	726,898
Welfare salaries, travel and legal costs	81,259	-	81,259	93,628
Support costs	140,936	-	140,936	96,363
	925,947	44,000	969,947	916,889

In addition to grants of £747,752 (2013: £726,898), secured loans totalling £380,304 (2013: £297,444) and unsecured loans totalling £2,400 (2013: £8,100) were advanced to beneficiaries. Repayments of secured loans totalling £205,159 (2013: £118,506) and unsecured loans totalling £7,658 (2013: £225) were received. Grants include provisions and write-offs against repayments of secured loans totalling £78,247 (2013: £3,860) and unsecured loans totalling £76,831 (2013: £9,811).

The number of beneficiaries assisted in 2014 was 235 (2013: 262).

	Unrestricted Funds £	Restricted Funds £	Total Funds 2014 £	Total Funds 2013 £
7. Governance Costs				
Auditors' remuneration - audit services	10,872	-	10,872	10,230
Legal, professional and training costs	3,356	-	3,356	18,072
Cost of Trustees' meetings and AGM	11,304	-	11,304	7,703
	25,532	-	25,532	36,005

Expenses re-imbursed to 10 (2013: 6) Trustees for travel amounted to £6,389 (2013: £2,333). No other reimbursements or payments were made to Trustees.

Ten trustees of the charity have claimed their travel costs - £6,389.

The work undertaken by the charity during the year appears to have been to make arrangements for grants totalling about £600k.

We then checked the remuneration of staff information.

Employees who received emoluments between £80,000 and £90,000 (2013 figure includes a £5,000 retrospective pension contribution relating to 2012)	1	1
The average number of employees on a full time equivalent basis was:	2014	2013
Beneficiary welfare	1.3	1.2
Fundraising, membership and publicity	1.0	1.1
Management and administration	2.3	2.3
	4.6	4.6

The Chief Executive, Tim Martin, is the highest paid member of staff. In 2014 he received a salary of £76,875 with additional taxable benefits of £9,297 (£5,630 of which comprised payment in lieu of employer's pension contributions). At the end of the year, the SBA Board awarded Mr Martin a discretionary bonus of £2,000 in recognition of the value of his initiative and personal effort to identify and rectify inconsistencies in the SBA's £4.2M loan book going back many years before his arrival in post.

Charities are encouraged to report not just figures but also pay ratios against median salaries. The ratio of the CEO's salary when compared to the median SBA salary is 2.5:1. Half of the staff are part-time, however, and after adjustment to equivalent full-time salaries, the ratio becomes 1.6:1.

Staff pay is founded on a principle that the SBA Board wishes to attract high calibre staff capable of contributing actively to the drive to professionalise the charity in everything that it does.

One employee received a package worth £80,000 to £90,000 in 2014.

The charity employed one person to deal with the welfare, one person to deal with fundraising and two administration and management employees. One of these was the chief executive, Tim Martin. His salary in 2014 was £76,875 with additional benefits totalling £9,297 plus a £2,000 bonus.

Our decision: We will not donate to the SBA. Our assessment is that they fail on criteria 4 and our reasoning is below.

1. We feel that the Chief Executive is earning a salary considerably higher than just about every employed solicitor in a similar sized solicitors practice in England and Wales with c.5-10 employees.
2. The vast majority of this charity's income appears to be coming from guaranteed or pretty safe sources – investment income, secured loans and residual balances from client accounts. £154k of donations is not a large amount.
3. In relation to the salary, this is a charity servicing the legal profession, and I would guess that a large chunk of the beneficiaries are from outside the London city firm bubble and hence receive average salaries.
4. Most high street solicitors with 10+ years experience earn about £40,000-£50,000 throughout their career. At partner level this can admittedly increase, but the partners are in business and take a risk that is rewarded by the commercial return. Charities do not have the same risk, particularly those with investments and/or external funding.
5. The charity appears to be effectively outsourcing work to other parties, eg LawCare. Quite why a charity of this size and with such resources needs to expend such a large proportion of it on one member of staff when most of the work seems to be external is an interesting question. We calculate the salary of the chief executive to be 4.5% of the total income of the charity in 2014 and 57% of donations received during the year.

No doubt the SBA does extremely worthy and valuable work within the profession, but we feel that it yet again highlights the endemic problem within the charity sector – where do these salaries come from? How does a charity determine that it should spend so much of its income on its staff?

We asked the SBA for information on how they reach a decision on pay structures for senior executive staff. We received no reply.

Amnesty International

Amnesty is a charity the trustees admire and are keen to support.

In 2014 their total income was as follows:

	Note	2014 £000s	2014 £000s	2014 £000s	2014 £000s	2013 £000s
Incoming resources from generated funds						
Voluntary income						
Donations from individual supporters	3/4	6,983	127	25	7,135	6,695
Legacies	3	5,430	-	-	5,430	3,538
Gift Aid	3	1,248	-	-	1,248	1,399
Grants	4	-	314	-	314	653
Total voluntary income		13,661	441	25	14,127	12,285

Most of their income comes from donations, and a significant proportion of these are from individuals. The Amnesty charity is somewhat confusing because it appears to have other branches/charities linked to it with related costs.

Employees at the charity cost £1.382 million.

	2014 £000s	2013 £000s
Wages and salaries	1,183	1,203
Social security costs	123	131
Pension costs	72	69
Redundancy costs	4	87
Total	1,382	1,490

Naturally the biggest part of Amnesty's work requires a considerable amount of staffing, hence the costs. There were the equivalent of 31 full time staff at the charity in 2014.

Senior Management Team Position	Full Time Annual Salary £	Salary and Emoluments £
Director	97,587	98,037
Director of Supporter Campaigning and Communications	68,186	68,636
Director of Fundraising	67,035	53,562
Director of Corporate Services	68,186	63,347
Director of Chief Executive's Office	68,186	68,636

5 of these staff received income of £352,218 excluding pension contributions, which Amnesty do not publish in their accounts.

This means that 26 full staff equivalents were receiving £1.03 million between them, which makes the average wage at Amnesty £39,607.00.

No trustees claimed travel costs etc.. in 2014.

Our decision: Reluctantly we will not donate to Amnesty International. We find that they fail on criteria 4. Not just one member of staff but five are receiving salaries at a high level. For a charity of this size it is not clear why and how salaries have got to this level.

We asked Amnesty International for information on how they reach a decision on pay structures for senior executive staff. We received no reply.

Charities with links to Africa

We are very keen on supporting projects in Africa and came across a number of charities who seem very worthy of as much support as possible. One of these is War Child.

War Child

War Child is a very worthy cause. They aim to help thousands of children caught up in war zones around the world. According to their last annual report, they worked in a range of countries including Afghanistan, the Democratic Republic of Congo, Iraq and Jordan. Some of the funding for War Child's work in Afghanistan seems to come from the US government, which is interesting to say the least!

The charity seems very tightly run.

	Note	Unrestricted funds £000	Restricted funds £000	2014 Total £000	2013 Total £000
Incoming resources					
Incoming resources from generated funds					
Donations		2,126	120	2,246	1,425
Events		323	-	323	256
Royalties & Merchandise		-	-	-	43
		<u>2,449</u>	<u>120</u>	<u>2,569</u>	<u>1,724</u>
Incoming resources from charitable activities					
Grants	11, 12	761	3,276	4,037	3,809
Other income					
Bank interest		3	-	3	2
Other income		59	-	59	-
		<u>3,272</u>	<u>3,396</u>	<u>6,668</u>	<u>5,535</u>
Resources expended					

The vast majority of their income is derived from donations, together with grants from external organisations.

We took a look at their staffing levels. There are 30 employees in the UK plus many more overseas. War Child works with external organisations to deliver their projects as well.

	2014 Number	2013 Number
UK		
- Charitable expenditure	12	12
- Fundraising	11	10
- Management and administration	7	6
	30	28

However the charity appears to employ two members of staff out of the 30 on salaries of over £80,000, plus pension contributions on top for one of these.

The number of higher-paid employees with emoluments falling within the following ranges is as shown:

	2014 Number	2013 Number
£60,000 - £69,999	-	-
£70,000 - £79,999	-	2
£80,000 - £89,999	2	-

A total of £4,104 (2013: £3,954) was paid by War Child into a defined contribution pension scheme for 1 higher-paid employee.

When you look at the total cost of salaries, it would appear that 28 members of staff share £975,000 in salaries, which puts the average employee at War Child on a salary of £34,821.

3 Employee emoluments

	2014 £000	2013 £000
UK Staff costs include the following:		
- Wages and salaries	1,135	1,008
- Social security costs	121	86
- Pension contributions (defined contribution pension schemes)	9	20

The trustees of War Child do not claim any expenses at all.

Our decision: not to donate to War Child. We do not believe the charity fits criteria 4.

The response from Sarah Welsh, Finance Director at War Child, to our request for information on how they reach the figures for senior executive pay is as follows:

“Salaries for the Senior Management team are subject to the same approach as used for employees generally. The salary of the CEO is specifically approved annually at the April meeting of War Child’s Board of Directors. Every three years a salary scale review is undertaken, with the aim of ensuring that War Child UK is paying at the third (upper) quartile when compared to the relevant charity sector. This review takes account of market research into charity pay, either through paid or free mediums, together with a review of the results by the HR Manager and CEO.”

Salary Comparisons

Here is a comparison for other sectors of pay:

1. Chief Constable of North Wales: £135,774 (responsible for 2,600 police officers and staff).
2. Hospital Consultant: £75,000 - £101,000 per annum, plus private work/overtime etc..
3. Chief Fire Officer of Staffordshire: £149,000.
4. Member of Parliament (to 2015): £67,060.
5. Average salary in the UK in 2014: £26,600.

To put a salary of £100,000 into figures, this is how it breaks down (courtesy of www.theSalaryCalculator.co.uk):

- Net annual salary: £65,325.70
- Net monthly pay: £5,443.81
- Net weekly pay: £1,256.26

It is also interesting how many charities have their headquarters in central London or thereabouts. May be a relocation out of an expensive area and into more regional locations could assist in keeping salaries and administrative costs lower?

Report of the Inquiry into Charity Senior Executive Pay

The National Council for Voluntary Organisations produced a report in 2013 looking into the pay of senior executives at charities in the UK.

https://www.ncvo.org.uk/images/documents/about_us/our-finances-and-pay/Executive_Pay_Report.pdf

The members of the inquiry panel included:

1. the Chairman of the British Red Cross who pay salaries to staff as follows – albeit with a turnover of £261 million):

The number of employees whose emoluments, as defined for taxation purposes, (basic pay, vehicle and medical insurance benefits) amounted to over £60,000 in the year were as follows:	2014
£60,001 - £70,000	21
£70,001 - £80,000	5
£80,001 - £90,000	5
£90,001 - £100,000	7
£100,001 - £110,000	2
£110,001 - £120,000	2
£120,001 - £130,000	1
£150,001 - £160,000	1
£200,001 - £210,000	-

2. Deputy Chairman of the Citizens Advice Bureau who pay salaries to senior staff as follows:

The figures below comprise gross salaries and employer's pension contributions. In addition, six executive directors were reimbursed £2,870 (2013/14: £2,028) in total for travel and out-of-pocket expenses incurred in the course of executing their responsibilities. No other amounts were payable. In addition, one other employee was paid between £80,000 and £89,999, six employees between £70,000 and £79,999 and 16 employees between £60,000 and £69,999 (including compensation for loss of office).

Post	Salary	Pension	Total	Total
	2015	2015	2015	2014
	£	£	£	£
Director of Consumer Futures*	100,335	6,956	107,291	53,580
Director of Operations	88,539	6,664	93,203	91,825
Chief Information Officer	-	-	-	94,101
Director of People and Equality	92,667	-	92,667	91,297
Assistant Chief Executive	102,211	7,359	109,570	108,382
Director of Finance and Transformation	103,023	10,517	113,540	110,639
Chief Executive	144,232	10,817	155,049	142,100

(Interestingly neither the CAB or the Red Cross reimburse their trustees for any costs).

3. The Chair of Save the Children, who pay salaries to senior staff as follows:

	31/12/14	31/12/13
	Number	Number
£60,001-£70,000	12	18
£70,001-£80,000	8	8
£80,001-£90,000	2	1
£90,001-£100,000	2	1
£100,001-£110,000	3	3
£110,001-£120,000	1	-
£130,001-£140,000	2	2
	30	33

Contributions of £306,976 (2013: £221,016) have been paid into pension schemes on behalf of the above employees.

- Various lawyers and accountants from larger size commercial practices. By way of example, one of the members of the panel was a partner at Clifford Chance, a Magic Circle solicitors firm in central London who pay partners at least £300k per annum.

The conclusion of the panel was as follows:

Our main recommendations are:

- that, as good practice, all charities that employ staff should consider publishing the precise remuneration, job titles and the names of their highest-paid people, and that those charities with a gross income of over £500,000 should actually adopt such a policy
- that this should be accompanied by a summary of the arguments used by the board of trustees to justify the amounts involved and explain how they reflect the charity's ethos and values
- that all this information should be brought together, not only within the (sometimes hard-to-access) annual accounts, but also on the charity's website no more than two clicks away from its home page.

No effort was made by the panel to indicate when remuneration became unacceptable, irresponsible or in danger of appearing to be completely contrary to the whole purpose of charity in the first place.

Because of the sheer diversity of size and purpose of charities, the Inquiry thought it inappropriate to recommend a maximum figure for top level pay. We felt the issue was best addressed by moving down the twin tracks of guidance and transparency – detailed guidance for trustees, who have the clear responsibility for pay policy;

(extracts from the Summary and Recommendations of the Panel).

So the summary of the report basically puts the onus on trustees to determine pay and not any external body.

We have included details above on exactly who the members of the panel were because so many originate from the City of London bubble – where salaries in six figures are the norm.

Summary

- 91% of charities have no paid staff at all. However out of 161,000 charities and a £39 billion income, 533 charities received £19 billion of this.
- Pay for senior executives in some charities seems to be disappearing off the top of the scale of a reasonable level of remuneration bearing in mind that a charity relies on the goodwill of someone else, usually unsuspecting members of the public.
- The charity sector apparently provides employment for 800,000 people and the report of the panel above highlights this – indicating that this is a healthy contribution to society. Perhaps this is true – we should support charities and pay their staff because it keeps them in employment - a charitable aim in itself. Miners could probably have used the same argument in the 1980s...

Jonathan Fagan is Managing Director of Ten-Percent Legal Recruitment and a non-practising Solicitor. He is also a trustee for the Ten-Percent Foundation, a charitable trust donating funds given to the trust by the company each year. [Ten-Percent Legal Recruitment provides online Legal Recruitment for Solicitors, Legal Executives, Fee Earners, Support Staff, Managers and Paralegals.](#)