

Committee: Finance Committee	Date: 31 January 2017
Subject: Donations in emergency appeal situations	Public
Report of: The Chamberlain	For Information
Report author: Karen Atkinson, Head of Charity & Social Investment Finance	

Summary

This report addresses a request from Finance Committee for further information to guide decisions in making donations in emergency appeal situations.

Information is provided on the operations of the Disasters Emergency Committee (DEC), focusing on the criteria for selection of UK aid charities, monitoring of operations and proportion of donations directed at disaster relief.

The report advises on routes that Members may take in recommending future donations by the Corporation of London. The report explains that Members should be confident that any disaster relief donations made to members of the DEC are made to organisations which have the highest standards of governance, finance and programme quality. The report suggests that, before making donations to organisations outside of the DEC, the Committee may wish to request the Central Grants Unit to undertake proportionate due diligence of these organisations to ensure that a donation would be appropriate.

Recommendations

Members are asked to note the information provided regarding donations to international disaster relief efforts, particularly:

- a) The strong criteria applied by DEC for the selection and monitoring of UK aid charities;
- b) The ability of the Central Grants Unit to provide recommendations of appropriate charities to support, including due diligence reviews;
- c) That donations given as restricted to a specific appeal or purpose are required under charity law to be spent directly on that purpose.

Main Report

Background

1. Finance Committee requested information regarding the financial activities of charities involved in emergency appeals, to guide future decisions concerning donations to be made by the City of London.
2. The analysis below focuses on the DEC operations, both in launching an appeal and in the criteria used to select its' member charities. The DEC brings together 13 leading UK aid charities in times of crisis (see Appendix 1). This

does not preclude Members agreeing to make a donation to an individual charity either outside of the DEC umbrella or to a charity not linked to the DEC, should the circumstances of a specific disaster suggest this to be a suitable route. In addition, if Members wish, recommendations of charities supporting work in a selected arena could be provided for your review as and when required, including detail of any appropriate financial due diligence, via the Central Grants Unit.

3. Since 2011, 17 donations have been made by the Finance Committee to appeals launched by the DEC or DEC-Member organisations. Only one donation has been made to an organisation outside of the DEC. This donation was to the UK Community Foundation for distribution to charities providing assistance to child refugees/asylum seekers in the UK. This donation arose from wish of the Finance Committee to donate money to fund work to support refugees (particularly in light of the Syrian crisis). This organisation was recommended by the Chief Grants Officer.

DEC operations

4. Since its launch in 1963, DEC has run 67 appeals and raised more than £1.4 billion. Member charities are selected as being those that are experts in humanitarian aid, delivering the efficient disaster responses which donors expect and those affected by disasters need.
5. To qualify as a member, organisations must meet strict governance, financial and programme quality requirements, including signing up to the highest external international aid standards. They must also show what diversity they can add to the DEC in addition to current members, in order to extend the reach of a DEC appeal and in providing global humanitarian aid. Membership is reviewed every three years and up to 15 organisations which meet the criteria and make the strongest case for furthering the DEC's objectives are selected.
6. As part of membership, member agencies are also regularly reviewed to check they have the processes and systems in place to meet the criteria and commitments they have agreed to, and are conforming to the DEC ways of working. The DEC focuses on lessons learnt to allow for continuous improvement in the way in which aid is delivered. The DEC is governed by a Board of Trustees, which includes the CEOs of each of their members and up to six independent trustees. They have a small staff team of 13. When appeals are launched, their media and corporate partners come together as the Rapid Response Network (RRN) to provide the required support levels.

Launching an Appeal

7. The decision to launch a DEC appeal is informed by three criteria:
 - a) The scale of humanitarian need;
 - b) The capacity of DEC member charities to effectively respond on the ground;
 - c) Public awareness and empathy, to enable a successful fundraising appeal.

Examples of appeal types include one-off catastrophes, slow-onset humanitarian crises and complex political emergencies.

8. In applying the above criteria, one of the key questions DEC considers is whether its member charities are the best placed to meet the needs of those in crisis, or whether the governments and aid organisations in affected countries already have the resources, people, expertise and organisational infrastructure to cope.
9. If the criteria are met, the DEC will launch an appeal by:
 - a) Uniting DEC agencies in a national fundraising effort;
 - b) Working with the media to create an appeal mechanism for national fundraising;
 - c) Ensuring funds raised go to the DEC members best placed to deliver aid to those in most need in an effective, timely and fully accountable way.

Use of donations received by DEC

10. Based on a rolling average over the past 5 years, the cost of running DEC appeals is reported as 5.9% of the money raised. In addition to this, member charities are required to commit to using no more than 7% of the funds they receive from DEC on any work within the UK to support their response to a disaster. All of the remaining funds must be spent on the emergency response itself and helping survivors rebuild their lives. This requirement provides transparency to donors in understanding how their money is spent, and removes the need for additional financial review when making a decision to donate to the DEC.

Donations made outside of DEC

11. Due to the transparent governance controls applied by the DEC, it is suggested that members could confidently give direct to the individual charities that are members of this umbrella organisation, should they believe this to be the most appropriate use of the Corporations' emergency donations budget.
12. At the December 2016 Finance Committee meeting, Members were informed that that when they donate to a specific named appeal made by a registered charity, such donations are termed as being 'restricted funds'. Under charity law, the purposes set out within the appeal description establish the restriction for which donations received must be used. Expenditure subsequently made by the charity would be expected to include those costs that are directly connected with the appeal purpose, both on the ground and in getting relief out to the affected country.

Appendix 1: DEC Member Charities – summary details

Contact:

Karen Atkinson, Head of Charity & Social Investment Finance
T: 020 7332 1395, E: Karen.Atkinson@Cityoflondon.gov.uk

APPENDIX 1

DEC Member Charities – summary details

Name	Summarised objectives	Income & Free Reserves (latest Accounts)	Comments on free reserves held
ActionAid	ActionAid UK is part of an international federation working in 45 countries, providing support and humanitarian assistance to people living in poverty and on the margins of survival.	Income - £65.3m Free reserves - £8.2m	Free reserves are £4.1m above policy due to uncertainties around future DFID funding & the impact of new fundraising regulations. Current levels equate to 5.1 months planned annual expenditure
Age International	Age International is a restricted fund of Age UK, a UK registered charity. It exists to change the world for older people, including responding to emergencies in low and middle-income countries	Income - £15.1m Free reserves – n/a	As Age International is a restricted fund of Age UK, it does not hold free reserves
British Red Cross	The British Red Cross helps people in crisis, whoever & wherever they are. They are part of a global network of volunteers, responding to natural disasters, conflicts and individual emergencies	Income - £275.1m Free reserves - £40.1m	Trustees recent review of reserves has a target of £30 - 40m free reserves, with the current level representing slightly less than 3 months charitable expenditure
CAFOD	CAFOD is the official aid agency for the Catholic Church in England & Wales, working with partners across the world to bring hope and compassion to poor communities, standing with them to end poverty and injustice. They work with people of all faiths and none.	Income - £53.1m Free reserves - £9.9m	The Trustees have established a ‘stabilisation’ reserve of £9m to limit potential future disruption associated with financial risks, notably a reduction in income, which is included in the reserves of £9.9m.

Name	Summarised objectives	Income & Free Reserves (latest Accounts)	Comments on free reserves held
CARE	CARE International is dedicated to ending poverty, working in 87 of the poorest countries worldwide. They have emergency response experts in over 60 countries so are often already on the ground to meet immediate needs of communities when disaster strikes.	Income - £51.7m Free reserves - £1.7	The level of free reserves required has recently been increased to £1.7m, being approx. 7 months' core expenditure, due to the risks from a changing external environment such as the focus on payment by results contracts
Christian Aid	Christian Aid is a Christian organisation that insists the world can and must be swiftly changed to one where everyone can live a full life, free from poverty. They provide urgent and practical assistance where need is great, tackling the effects of poverty as well as its root causes. They support people of all faiths or of none.	Income - £99.9m Free reserves - £15.0m	The target for free reserves is £20.3m, however the Trustees expect to take 3 years to reach this as they build their supporter base and deal with an increasing pension deficit.
Concern Worldwide	Concern Worldwide is an international humanitarian organisation specialising in tackling hunger with the most vulnerable people in the world's poorest places. They believe no one should have to live with hunger and the damage it causes. By combining their expertise with local knowledge they help communities develop their own lasting solutions to transform lives.	Income - £31.6m Free reserves - £1.3m	The charity has set aside a designated fund of £1.2m to ensure the continuity of operations in the event of a temporary downturn in income.

Name	Summarised objectives	Income & Free Reserves (latest Accounts)	Comments on free reserves held
Islamic Relief	Islamic Relief has been responding to emergencies for almost three decades. They provide a lifeline for vulnerable communities affected by disaster and poverty around the world, enabling communities to mitigate the effect of disasters, prepare for their reoccurrence and respond by providing relief, protection and recovery. They work regardless of race, political affiliation, gender or belief.	Income - £105.6m Free reserves - £5.6m	The target is to hold 7 months' worth of operational expenditure in reserves, with the charity currently holding 5 months. The Trustees plan to adopt a three-year plan to increase general reserves to a higher level, recognising that three years is an appropriate timeframe for the achievement of this target.
Oxfam	Oxfam is a global movement of people who work together to end the injustice of poverty for everyone. Its activities cover humanitarian relief, development work, advocacy and campaigning. Oxfam Great Britain is one of the 18 Oxfam affiliates that make up the confederation of Oxfam International.	Income - £414.7m Free reserves - £29.1m	General reserves are currently above their target level of £25m. Given the on-going uncertainties in world economies, their future plans are to maintain this level of general reserves by aligning their unrestricted spend to income predictions.
Plan International	Plan International is a global children's charity, working with children in the world's poorest countries for over 76 years, to help them build a better future. They achieve this by giving children a healthy start in life, securing their education, working with communities to prepare for and survive disasters and enabling families to earn a living and plan for their children's future.	Income - £70.2m Free reserves - £5.2m	With a significant proportion of income arising from child sponsorship, the Trustees of Plan International are able to predict much of their total monthly income with a reasonable degree of confidence. However, income from appeals and grants is more difficult to predict hence why free reserves are held to ensure that their ability to carry out their work is protected against any unexpected negative financial events. Current reserve levels are at the top end of their policy.

Name	Summarised objectives	Income & Free Reserves (latest Accounts)	Comments on free reserves held
Save the Children	Save the Children UK is a member of Save the Children Association, which consists of 30 independent, national Save the Children organisations transforming children's lives in more than 120 countries. Save the Children fights for children's rights. They deliver immediate and lasting improvements to children's lives worldwide.	Income - £389.7m Free reserves - £38.1m	Given the ongoing uncertainties in world economies, the Trustees formally reviewed their reserves policy in 2015. In conclusion their target reserves range was increased to £27 – 32m. Following an exceptional fundraising year, free reserves at the latest year end were above that range.
Tearfund	Tearfund is a Christian international relief & development agency, building a global network of local churches to help eradicate poverty.	Income - £72.2m Free reserves - £6.7m	In their latest review, the Trustees of Tearfund have reduced the level of free reserves to be held by £500k to £3.5m – 4.0m, to reflect the reduction in working capital required to fund contract income. The additional amounts held at their last year end were allocated to future front-line work.
World Vision UK	World Vision UK is an international Christian children's charity, working to bring hope to millions of children in the world's hardest places. Their work involves long-term sustainable development programmes, relief & rehabilitation responses to humanitarian emergencies and advocacy work.	Income - £90.9m Free reserves - £7.4m	The Trustees require free reserves to be maintained at 25-45 days of expenditure. This is equivalent to a range of £5.9 million to £10.7 million at current expenditure levels. The Trustees consider that this is an appropriate level for reserves in order to maintain funding for programmes and emergencies.