

24 October 2017

Case Report

International Centre for Entrepreneurship Foundation (CC27546)

Summary

We have reviewed the International Centre for Entrepreneurship Foundation's (ICE Foundation) eligibility to remain registered. Our main concern was that the ICE Foundation operated for the benefit of a group of previously charitable companies (the Icehouse Companies) that were deregistered in 2010.

The ICE Foundation and the Icehouse Companies changed their rules, and introduced documentation to ensure that the Icehouse Foundation's charitable purposes remained paramount in its operation and the Icehouse Companies operated to support and benefit the ICE Foundation through financial and non-financial means. As a result, we decided that the ICE Foundation should remain registered. The independent Charities Registration Board reviewed and agreed with our decision.

About charitable purpose reviews

One of our functions is monitoring registered charities and their activities to ensure that they remain qualified for registration. Only charities that advance exclusively charitable purposes (or advance a non-charitable "ancillary" purpose) can remain registered as charities. We work closely with charities to support them to retain their registration, and most reviews result in charities remaining registered.

If, after engaging with a charity, we consider that they no longer qualify for registration, we take our assessment to the independent Charities Registration Board. If the Board agrees, they can instruct us to notify the group that they will be removed. The charity will have an additional opportunity to object that the grounds for deregistration are wrong, or that there is a reason in the public interest for them to remain registered. If the Charities Registration Board remains of the position that the group does not qualify, we will remove the charity, and the group can appeal that decision to the High Court.

A charitable purpose review is different to an *investigation* which involves an inquiry into *serious wrongdoing*. Sometimes investigations and reviews are carried out at the same time.

About the charity

The ICE Foundation is a charitable trust board incorporated under the Charitable Trusts Act 1957, and registered as a charity on 15 July 2008. Its stated purposes are: to advance education, and develop a research facility for various research initiatives associated with entrepreneurship and innovation. Its main source of income comes from a wholly owned group of subsidiary companies (the Icehouse Companies) that provide education, mentoring, training and related services (including management services) for enabling the growth of start-up companies and small to medium sized enterprises, as well as directly investing in those start-up companies.

Why Charities Services got involved

Two of the Icehouse Companies were originally registered as charities alongside the ICE Foundation on the basis that they advanced education. After a review confirmed the group was providing direct advice and assistance to individual businesses, the Charities Commission sought to remove the entities from the Charities Register. Both the Icehouse Companies were removed on 18 August 2010.

After working closely with us, the ICE Foundation amended its activities and changed its purposes to remain registered. However, it remained the owner of the Icehouse Companies, and inherited a significant debt from the set-up of the Icehouse Limited (the main company of the Icehouse Companies).

We had concerns that the ICE Foundation was being run, at least in part, for the benefit of the Icehouse Limited because of the significant debt, and the ownership relationship. We were concerned that a group that had been removed from the register could be being propped up by a charity by using its resources and capital.

The action Charities Services took

We met with the ICE Foundation and the Icehouse Companies to understand how the Icehouse Companies were structured, to ensure that they were supporting the ICE Foundation and not the other way round.

The ICE Foundation and the Icehouse Companies provided evidence that the companies could be expected to generate sufficient profits to provide substantial financial support and non-financial support for the charitable purposes of the ICE Foundation over a reasonable time.

The ICE Foundation and Icehouse Companies also agreed to policies that clearly stated how the Icehouse Companies would be operated for the benefit of the ICE Foundation at an arms-length basis.

The Charities Registration Board reviewed the information provided by the charity and Icehouse Companies, and was satisfied that the ICE Foundation remained qualified for registration.

We retain a monitoring role over all registered charities, and will continue to monitor entities for their compliance with the Charities Act.

What lessons should be learned by other charities

Charities that seek to raise funds through business activities need to clearly distinguish their business activities from their charitable purposes. They must also:

- (a) Show that the business is capable of making a profit to go to charitable purposes; and
- (b) Show that the charity does not provide any resources to the trading body at less than market rates.

More information on what charities should learn from this example will be published in an upcoming blog on what concerns may arise from businesses being involved in charity.

Although this case study may be useful for some charities – eligibility for registration is assessed on a case by case basis that always takes into account the wider circumstances.