

In this issue ...

- Introduction from John Stoker
- Data Protection scam targets charities
- New Charities Bill update
- GuideStar UK
- Changes to Annual Return and Trustee Update Forms
- Our new regulatory position
- New charity prize launched
- Better reporting guidance
- Model governing documents online
- Changes to registration procedures
- Goodbye to Julia Unwin
- New guidance on complaints and disputes
- Welsh office to be opened
- Charity reserves report
- Mergers and joint working
- Insuring against anxiety - trustee indemnity insurance
- Questions, Questions
- Tax enquiries helpline

Helping you do what you do best - Introduction by John Stoker

You'll see from this edition of Charity Commission News that we've made changes to the way we provide a wide range of services to charities. From authorising trustee indemnity insurance to providing governing documents online, we've streamlined our regulatory stance to make it easier for charities to get on with their core work. More details of this revised stance can be found in this edition of CC News.

Where we work to ensure compliance with the law we also aim to provide support to help charities to meet their obligations. We hope, for example, the accounts and returns timetable included with this issue will provide a useful reminder. We trust that charities will notice a real and practical difference in the way we provide our services.



Data Protection scam targets charities

Businesses which process certain kinds of information about individuals must register as data controllers with the Information Commissioner's Office (ICO) and pay a notification fee of £35. Many registered charities are exempt from this, and those that aren't only have to pay the £35 fee. This hasn't stopped a number of unscrupulous businesses targeting charities in the guise of 'data collection registration services' and pressurising them to pay up to £95 for registration. Some of these fraudsters can appear very plausible, producing 'identification cards' and receipt books.

Charities approached in this way should show these businesses the door and notify their local police.

The ICO's website at:

www.dpr.gov.uk

has a list of some of these bogus agencies. Charities which want to know more about registering with the ICO can call 01625 545 745 or visit:

www.dataprotection.gov.uk

Our thanks to readers of CC News for bringing this scam to our attention.

New Charities Bill

Following the article in last November's CC News on the Strategy Unit's proposals to remove charities with income of less than £10,000 from the Register, we received a huge volume of correspondence from charities. The vast majority of these were extremely concerned about how these proposals would affect them.

We passed this correspondence to the Active Community Unit (ACU) in the Home Office, which is dealing with the consultation process.

Although at the time of writing, the full analysis of consultation responses has yet to be completed, the ACU has acknowledged the concern this proposal has caused to small charities, and states that it will take these fully into account. It also notes that a large number of

small charities have said they are in favour of an option which would allow them to register with us on a voluntary basis.

When the consultation analysis is complete, the ACU will publish its plans and a timetable for implementation, probably in late summer.

This would be followed by a draft bill, which would also provide another opportunity for charities to comment on the Government's proposals.

Charities should bear in mind that, until new legislation is implemented, there is no change to their registration, which remains as it is.

We'll ensure that further developments are reported in future editions of Charity Commission News.

A guide to better giving

The demand for information about charities continues to grow, and both donors and stakeholders want more, and more detailed, information about charities.

For many years, donors and stakeholders in the United States have had access to a website called GuideStar, which provides an integrated package on the activities and performance of not-for-profit organisations in the US.

In March the Treasury announced it would provide nearly £3 million over three years to support the development of GuideStar UK in this country.

The Commission will be providing much of the data needed, with the Home Office

Active Community Unit (ACU) supplying financial support to the project.

We'll work in partnership with GuideStar UK, the ACU and charity sector representatives to develop the package over the next three years.

We registered GuideStar UK as a charity in April, under the new charitable purpose of 'the promotion of the voluntary sector for the benefit of the public'.

We think this is an exciting opportunity both for us and for the sector as a whole - creating an easily accessible source of high quality information about charities to all those with a stake in charity.

Annual Return and Trustee Update Form 2003

Trustees will notice changes to the Commission's annual return forms this year.

The annual return and register check forms have been combined into one form called the Annual Return 2003. A separate Trustee Update Form will accompany this. We are asking you for the same information, just packaged differently.

This change is due to technical developments in the way that information is scanned.

Unfortunately, due to the change, this year it has not been possible to pre-print some of the information we hold for your charity - eg trustee details. So:

- If your charity has income and expenditure of £10,000 or less - you will need to complete part A of the Annual Return and return this together with the completed Trustee Update Form.
- If your charity has either annual income or expenditure above £10,000 - you must complete all parts of the Annual Return form and return it with the completed Trustee Update Form, annual accounts and a copy of the charity's annual report.

Please make sure you send your documents to us promptly, and, in all cases, within 10 months of the end of the charity's financial year.

If you need help call our Contact Centre on:

0870 333 0123

Seven principles to successful regulation

We've recently published a new document, "The Charity Commission and Regulation" (available from our website) clarifying our role and the approach we are taking to our work.

This follows three years of significant review and change, a process influenced by several events, including:

- the Strategy Unit's report, 'Private Action, Public Benefit', and its proposal that the Commission is given new and modernised powers;
- the findings of the Government's Committee for Public Accounts on the 2001 review of our work by the National Audit Office; and
- changes we've implemented since the Government's 2000 Spending Review.

In setting out our regulatory approach and role, we've had discussions with a range of external bodies, as well as with our staff.

We think that the results are important to charities for a number of reasons.

First, we've underlined the principle that charities are free and independent organisations and that the work they do is

essential to society. But we've also explained the rationale for a charity regulator who works on behalf of those who give to, and benefit from, charities - as well as society as a whole.

Second, while we can't pre-empt any change in the law which occurs following the Strategy Unit's report, we believe the way we fulfil our regulatory role reflects the main themes of the report, including:

- ensuring compliance with charity law;
- enabling charities to work better and to keep up with changes in society, the economy and the law;
- promoting strong governance and accountability; and
- increasing public trust and confidence in charity.

This document also explains how we approach our work, and this approach varies depending on the nature of the charity and the regulatory issues involved.

These include:

- using information and advice to influence charities' behaviour, for example by giving information on legal requirements, and publishing reports which highlight good (and bad) practice by charities;

- directly advising charities on better ways of working via our visits to charities, our Contact Centre advisors, and one-to-one guidance to individual charities;
- promoting compliance with the law through our publications and casework with individual charities; and, where necessary
- using our powers to intervene and enforce the protection of charitable assets.

Seven principles underpin our approach: accountability; independence; proportionality; fairness; diversity and equality; consistency; and transparency.

We also aim to make our services accessible, and to be prompt, courteous, knowledgeable and constructive in our work.

There are always aspects of our work under development and targets to aspire to, and we certainly aren't resting on our laurels.

But we believe the approach set out in 'The Charity Commission and Regulation' is consistent with the Strategy Unit's proposals for our role, and will help to increase public trust and confidence in charities.

Giving credit where it's due

A new showcase for people who have contributed significantly to developing charity has been launched, supported by organisations including The Giving Campaign and Charities Aid Foundation.

The Beacon Fellowship awards six annual prizes to individuals who have made exceptional contributions to charitable causes or organisations helping the public.

The winners are likely to have helped to create or transform a charity, project or cause by giving money, either personally or through a grant-making trust or to have provided leadership, creative ideas, skills or time without personal reward.

The overall winner will receive £20,000 to be invested in a charity of their choice. Beacon particularly wants to receive nominations from small to

medium charities, as their funding needs can be the most critical.

The closing date for nominations is 15 July 2003.

More information and a nomination form can be found on Beacon's website at:

www.beaconfellowship.org.uk

or by calling:

020 7849 6550

Tell it like it is

The past year has seen a snowballing of interest in the information charities provide about their activities and achievements and yet, with a few innovative exceptions, the quality of current annual reporting by charities is largely seen as either minimalistic or dull and uninformative.

Despite increasing expectations for charities to be more transparent and accountable, and increased recognition within the sector that the quality of trustees' annual reporting must be improved, this isn't always evident in the reports we receive.

The pressure to improve is here to stay, and our response to the recent NAO and PAC reports acknowledged current deficiencies.

The Strategy Unit paper 'Private Action, Public Benefit' also focused attention on this area and recommends that the Statement of Recommended Practice (SORP) should strengthen its focus on the reporting of achievements against objectives, organisational impact and future strategies.

The trustees' annual report is an important communication tool for charities and the existing SORP already provides a basic framework for this reporting - all too often neglected.

While further development of SORP may well follow on its next review, we want to ensure trustees better understand the current framework.

We've been working closely with a sector group including the National Council for Voluntary

Organisations, the Charity Finance Directors' Group, the Association of Chief Executives of Voluntary Organisations and the Association of Charitable Foundations to produce guidance on better use of SORP.

We are also grateful for the support and help given by the Directory of Social Change and the Charities Evaluation Service.

The guidance doesn't create new legal requirements but instead explains the existing SORP recommendations - the purpose of annual reports, why they're important and how they can be structured to better explain charities' activities and performance.

A checklist of six key points is offered to help trustees when drafting or reviewing their annual report:

- Are your charity's objectives explained?
- Have you explained your charity's strategies for achieving these objectives?
- Have you described the main activities your charity undertook to achieve its objectives?
- Have you explained your charity's achievements against the objectives set?
- Have you explained your future plans?
- Does the narrative help readers understand your charity's accounts?

The guidance is targeted primarily at charities with income

over £250,000 per year. Smaller charities should still explain their activities and achievements but we recognise that their approach will be proportionate to their size.

We and our sector partners believe these ideas provide a practical checklist to trustees to ensure not only that the SORP's recommendations are met but also that messages about what they do and achieve are communicated well.

There's a 'lot in it' for charities which implement clearer reporting of their work.

We appreciate that the sector itself is weary of public misconceptions about levels of charity fundraising and administration costs, which draws public attention away from what charities actually achieve.

Telling the true story about your activities and achievements will help to dispel these, and can go a long way to increasing public confidence and the inclination to give and support charity.

The clock won't turn back and public expectations will only grow.

There are many good reasons why charities should respond positively to this.

Copies of the guidance, 'Reporting the activities and achievements of charities' can be downloaded from our website at:

www.charitycommission.gov.uk under 'Supporting Charities'.

Modern models

Setting up a charity can seem like a minefield, and existing trustees may find themselves being asked for advice by those considering registration.

So it may be useful to know that there's a wealth of tried and tested material out there which can streamline the process.

Our new approach to registering small charities should help, and we're backing this up with a programme to provide model governing documents on-line.

A charity's governing document sets out how the organisation will be run.

Establishing a new charity using one of our models can be quick to complete and can speed up the registration process.

Each one contains standard clauses, with space to insert a charity's details.

Most importantly, the models have a space to insert the objects of the charity (ie what the charity is set up for). Choosing the right words for these can be difficult so we've put a selection of example objects on our website.

If the model suits the charity's needs and there's no need to change any of the clauses, we expect to process a completed application in 46 days - around half the time it takes for cases not using a model.

Current technology means that the model can be completed on screen but it will need to be printed and posted back to us:

we are aiming to provide this service entirely on-line within the next couple of years.

By the end of this year we'll have brought each model fully up-to-date.

We've already done this for GD2 (the model for trusts) and GD1 (for charitable companies) will be out in the Summer. GD3 (for non-company associations) is planned for the Autumn.

Guidance on choosing the right model for your charity is in our booklet CC22 ("Choosing and Preparing a Governing Document") - the website version of this also gives details of umbrella organisations which have agreed standard governing documents (which include objects) for their members.

A new gateway to charity registration

From April this year, we introduced regional changes to the registration of all new charities in England and Wales.

We no longer provide a registration service from our London office.

Instead, organisations in England with actual or expected incomes below £10,000 should now apply for registration to our Liverpool office.

Larger organisations with income over £10,000 should now apply to our Taunton office.

These changes are part of our more integrated approach to smaller charities, which included

the setting up of our small charities unit at our Liverpool office.

Until our Welsh office opens in Spring 2004, all registration applications from organisations based in Wales will continue to be managed from Taunton.

We are concentrating on getting the right people in place in these roles, and so there may be some short-term disruption to the service we provide, for which we apologise.

However, by the end of the year we expect the benefits to charities to include a reduced turnaround time and a better service for all.

Goodbye to Julia Unwin

Julia Unwin, who joined us as an executive Commissioner in May 1998, left the Commission at the end of April.

With over 20 years' experience of working in the voluntary sector, including chairing the Refugee Council and being on the board of the Housing Corporation, she brought a valuable external perspective to her role.

Julia was awarded an OBE in 2002 in recognition of her work in the voluntary sector.

We'd like to wish her every success for the future.

Cracking the complaints code

Expectations of how and when the Commission can take up complaints about charities are high, both from the public and within charities themselves. People feel strongly about charity and often think that as the charities' regulator, we have the power to intervene and 'put things right' whatever the issue.

While this is invariably true when it comes to misuse of charity funds or fraud, there are a whole range of circumstances where we do not intervene. These can include internal disputes within a charity, matters of religious interpretation or where a beneficiary feels they have received poor service from a charity. Examples of where we are likely to intervene include unauthorised trustee benefits, wasteful or fraudulent fund-raising, unacceptable political activity and poor financial administration.

Our remit is prescribed by law but there will also be instances where the public interest, and the

interests of the charity and its beneficiaries, are best served if we refrain from taking up relatively minor issues. As well as offering the most sensible and proportionate approach for all concerned, this frees up resources which the Commission can put to more effective use in areas of greater significance and risk.

To clarify what we can - and cannot - do, we've recently published a major revision of our publication CC47, 'Complaints about Charities', which incorporates previous guidance on our role in resolving charity disputes.

It also includes updated guidance on 'whistleblowing' by auditors or examiners and a new section on the Public Interest Disclosure Act 1998.

CC47. 'Complaints about Charities' can be found on our website at:

www.charitycommission.gov.uk under 'Publications'.

Welsh office to be opened

We've known for a long time that Welsh charities wanted a Commission presence in Wales.

We are therefore pleased that the necessary resources had now been made available and we aim to open our first Welsh office in Spring 2004.

This permanent office will employ up to a dozen staff, working closely with our existing offices in London, Taunton and Liverpool to regulate and advise Wales' 11,000 registered charities.

We'll consult with the Welsh Assembly Government as well as charities' umbrella bodies in the coming months.

We expect to be able to announce the location for the office as detailed planning gets underway this summer.

Don't be reserved about reserves

Our third regulatory report, 'Charity Reserves' (RS3) was published in March and found that in 2001/2002 a staggering £5.5 billion was being held by charities without being accounted for by a reserves policy.

It also found that a third of charities have reserve levels which are lower than they need to be.

Reserves aren't solely an issue for large charities, especially at a time when many charities are under added financial pressure due to diminished stock market returns.

A sound reserves policy and appropriate level of reserves can be vital to ensure a charity's beneficiaries don't suffer if the charity encounters fluctuations in income or emergency demands. In extreme cases, reserve planning can decide whether the charity survives or not.

Our report highlights the need for charities to properly account for their reserves with a balanced and transparent policy. If levels are set too high reserves can tie up money which could, and should, be spent on charitable activity. If set too low, the future of the charity could be at risk.

The key issue is not what level of reserves a charity holds, but why it holds them. Our report suggests alternative strategies for those charities without the resources to build a reserve.

At the time of the report's publication, one in three charities had a reserves policy in place. This is a trend that we very much want to see accelerated.

This regulatory report, 'Charity Reserves' (RS3), is available from our website at:

www.charitycommission.gov.uk under 'Enhancing Charities'.

On the verge of merging?

The debate about duplication of charities has been with us for a number of years and tends to focus on the larger, professionally run charities.

In reality, the majority of charities are small local organisations which rely entirely on their trustees and other volunteers.

While the diversity and plurality of the sector is one of its strengths, there can be big benefits for larger charities in working together collaboratively, rather than competitively, or even merging.

Small charities may also find that aspects of joint working can maximise their resources and improve their efficiency.

Our fourth regulatory report, 'Collaborative Working and Mergers' (RS4) was published in May and uses case studies to examine the pros and cons of joint working and mergers. It can be found on our website at:

www.charitycommission.gov.uk

under 'Enhancing Charities' on the 'Regulatory Reports' page. The report found that the most common reasons for charities seeking a merger were:

- to increase efficiency (54%),
- as a way of rescuing a charity in difficulties (44%), and
- to prevent duplication or to improve services (42%),

with some charities giving more than one reason. The main benefits subsequently experienced by these charities were in the area of service delivery, with 44% of charities reporting an improvement.

Joint working or merging is more successful where there are a number of factors in place.

These range from a shared vision and goals to appropriate constitutional arrangements and ensuring suitable levels of funding for the process.

We can help charities considering merging in a wide range of ways and we strongly recommend charities in this position read the report and approach us for help. There may be instances where our authorisation is needed to make the merger or joint working possible.

The report details the key areas that need to be considered and covers the process itself.

Finally, we are actively seeking charities' feedback and comments on our regulatory reports.

Our 'Regulatory reports online feedback form' can be found on our website at:

www.charitycommission.gov.uk

under 'Enhancing Charities' on the 'Regulatory Reports' page.

Alternatively, the form can be printed off, completed and posted back to us.

Insuring against anxiety

The thorny issue of trustee indemnity insurance (TII) is now less complex, following our announcement in April of a change in our procedures.

Until now, trustees had to make detailed cases to us in order to get authorisation to buy indemnity insurance for themselves from charity funds.

This is because TII is technically a benefit to the trustees, not the charity.

In practice, while the Commission has never sought to

prosecute a trustee for honest mistakes, we recognise that the issue of TII may be an obstacle to some charities recruiting trustees.

Our new approach therefore makes authorising the purchase of TII much simpler.

Essentially, we've moved to a 'self certification' approach.

Trustees look at a number of factors, including other methods and types of insurance and the cost of TII as a proportion of the charity's income.

If having done so, they tell us they believe TII to be both appropriate and in the best interests of the charity, then we'll authorise it.

The Operational Guidance outlining our new approach is available from our website at:

www.charitycommission.gov.uk

under 'Supporting Charities'.

We hope this shift in policy and streamlining of approach will benefit charities, whatever their size.

Questions, Questions ...

Q. Can my organisation ask for money from businesses without being registered as a charity?

Yes, you can seek funds from corporate sponsors without being registered, but companies would probably expect full details about the purpose of your appeal. However, if you expect to raise more than £1,000 a year and use the money to help a group of people rather than an individual, then the law requires you apply to us for registration. We won't automatically grant registration unless the appeal is exclusively charitable in law.

As a general pointer, the Institute of Fundraising's website (www.icfm.org.uk) gives useful information about fundraising and house to house collections.

Q. Why do we have to show that we meet the 'minimum requirements' when we apply for registration, and what are they?

Because the Charities Act 1993 states that only charities which meet the minimum requirements must register.

The key principle for registration is that the organisation is set up for exclusively charitable purposes. If we agree that it

is, the minimum requirements for registration are:

- permanent endowment (capital where only the income generated from it can be spent);
- a total income from all sources of more than £1,000 per year; or
- the rateable use or occupation of any land or buildings.

Some examples as to how these requirements can be demonstrated are; a copy of a bank statement; accounts; letters from grant making bodies or individual donors offering funding if the organisation becomes registered; and conveyances or leases for property from which the charity does, or will, operate.

Q. Can my charity accept votes from members by post or e-mail?

A charity can accept votes in these ways for a one-off occasion without a specific provision in its governing document.

Doing this on a regular basis, however, will require a change to the governing document allowing postal and/or electronic voting unless the charity's governing document already allows for this.

Joining up the Tax Breaks

As part of our aim to improve efficiency in the sector, we're increasingly working with partners to offer joined up services.

And we're not alone - the Inland Revenue and Customs and Excise have also been looking at ways to offer a more streamlined service for charity taxation.

We've joined with them to help charity trustees and professional advisors get taxation and related general advice without having to call three separate departments.

The helpline is staffed by a network of specialist advisors and provides advice for charities, including technical information as well as literature on both direct tax and VAT.

Charities with questions about tax or VAT should call this joint helpline on 08453 020203 from 8:30 am to 6:00 pm.

Alternatively, you can visit one of these websites for information:

Inland Revenue - www.inlandrevenue.gov.uk

Customs and Excise - www.hmce.gov.uk

Charity Commission - www.charitycommission.gov.uk

Charities can also use the current Customs National Advice Service number on 0845 010 9000, and the Charity Commission Contact Centre number on 0870 333 0123.

Both are equipped to provide a seamless transfer of calls between departments as required.

Correction

Following inaccurate information in the last edition of CC News, we'd like to clarify that when selling charity land an appropriately qualified surveyor should be a fellow or professional associate of the Royal Institution of Chartered Surveyors (RICS). Letters they can use are FRICS and MRICS.

Our apologies for the mistake.

Accounts aren't Optional

If your charity's income is over £10,000 a year, then filing your accounts and returns with the Charity Commission is a legal requirement.

Accounts and Annual Returns have to be sent to us within 10 months of the end of your charity's financial year. If you miss this deadline without a good excuse then your charity will be named on our website. This site is accessed by members of the public and grant-making bodies, so being listed here may affect your charity's levels of funding, grants and public support.

Information about a charity is easy to access, and failure to comply with the law will raise doubts about your charity's credibility, efficiency and reputation. The Commission treats failure to submit this information as evidence of mis-management.

We want to help you meet your deadline; the table below will remind you when your accounts and returns are due. Different rules may apply to your very first accounts, our helpline staff can advise you.

Charity's financial year end	Deadline for delivery of accounts and returns to Charity Commission
31 December	31 October the following calendar year
31 January	30 November the same calendar year
28/29 February	28/29 December the same calendar year
31 March	31 January the following calendar year

All accounts and returns must be sent to the Charity Commission by the due date.

So do the best for your charity; make a note of your deadline - and meet it.

For more help, call our Contact Centre on 0870 333 0123 or go to the Charity Accounts Assist pages under 'Supporting Charities' on our website at www.charitycommission.gov.uk