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Meeting the challenge of change - Introduction by John Stoker

This edition of Charity Commission News comes at a crucial time for both charities and the Commission itself. Proposals for a new Charities Bill are being worked up by the Government as the charity sector anticipates working within a new legislative framework. This issue features key elements of these proposals to keep charities up to speed on current developments.

These proposals offer great opportunity but they also reinforce, as never before, the need for both charities and the Commission to account for themselves. October saw us launch our 'Accounts

aren't optional' campaign aimed at charities with annual incomes of over £10,000, and this issue has details of how trustees and their advisers can make sure they comply.

The proposed bill reinforces what charities themselves have always known - that they occupy the central role in our society. With the spotlight firmly on the sector as a whole we must make sure that we all play our part in justifying the confidence that the public has in charity.



Next steps to a new Charities Bill

The government's response to the Strategy Unit's (SU) proposals for the voluntary sector was published in July. Visit the Home Office website at:

www.homeoffice.gov.uk/docs2/charities_notforprofits.pdf

for details. Work has begun on the preparation of a draft bill reflecting the government's response.

The Government accepted nearly all of the SU's recommendations but two areas in which they did not may be of particular interest.

Registration: Two changes have been made to the original SU recommendation following representations from many small charities. It is now proposed that there should be a single, income based, threshold of £5,000 (not £10,000 as previously proposed). The government has also decided that it should continue to be possible for charities below the threshold to register voluntarily.



As we said in last June's CC News, changes to the current position will only happen after new legislation is implemented. At that stage there will be many charities on the register below the new threshold. There are no plans to remove those charities from the register.

Trading: The SU recommended that charities which wanted to undertake trading should be able to do so within the charity without setting up a separate trading subsidiary. The government

rejected this. The law on charities and trading will remain the same as it is now.

Many charities may also be interested to hear that the work on fundraising issues is being taken forward in two ways.

- The Home Office has conducted a public consultation on public collections.
- The Institute of Fundraising has commissioned Vice-chairman of the National Council for

Voluntary Organisations, Rodney Buse to develop proposals for self-regulation in this area. Further details are available at: www.busecommission.org.uk

There is no firm timetable for a new Charities Bill. The government says it is committed to publishing a draft bill as soon as it has been fully prepared, and to legislating as soon as parliamentary time allows.

We will continue to keep you updated about developments through Charity Commission News.

Accounts aren't optional

A recent survey by the Charities Aid Foundation and the National Council for Voluntary Organisations showed the public donated £7.3 billion to charities in 2002. With these kinds of sums at stake, people are entitled to know where their money's going. The way the law provides for this is by requiring charities with annual income over £10,000 to send their accounts and annual returns to us. They need to do this within 10 months after the end of the charity's financial year.

Despite this, last year only 65% of charities in this income bracket sent their accounts to us on time. To improve this situation, we've launched a campaign to inform everyone, from donors to licence-givers, that accounts aren't optional but are a legal obligation. We know that most trustees take this aspect of their role very seriously and we must encourage this approach across the board.

We recently ran a survey of over 1,000 charities, in conjunction with the National Association of Councils for Voluntary Service, to find out what problems charities found in getting their accounts in on time.

The results indicated that many charities don't view this 'administrative task' as core to their work, and yet failing to do it can put their funding at risk.

We also found that while over a third of charities surveyed benefited from free or reduced-rate services from accountants and auditors, lower fees could mean lower priority. We're now explaining to firms that they're not actually doing charities any favours if poor service paints organisations in a bad light with the Commission. But trustees need to recognise that accounts are their responsibility and not something solely in the domain of the accountants and auditors.

Charities failing to meet their ten-month deadline are breaking the law. Not only can non-compliance indicate a lack of sound management, but it can also give the impression that there's something to hide. We want to help trustees as much as possible, and those who need help meeting the deadline can:

- Check out our website for advice: www.charitycommission.gov.uk

- Read our online publications dealing with accounts and the Statement of Recommended Practice (SORP), or request a hard copy via our Contact Centre.

- Respond to our reminders. We have a joint responsibility and we're here to help.
- Phone our Contact Centre: 0870 333 0123.

We need to spearhead dramatic improvements in compliance rates. Our website already names defaulters, meaning that anyone can check if a charity has sent us their accounts. We're also encouraging grant-givers and licensing authorities to check for compliance before giving funding or a licence to collect. No-one wants to give to a charity which is badly managed and inefficient, so it really is up to trustees and finance directors to show that their charities are well-run.

If your charity meets its deadlines, well done. If you're having problems we hope this information helps.

Internetworking

The beginning of October saw the unveiling of our new look website. Listening to feedback from a whole range of users, we've made major changes to the look, tone and content of the site. We hope that the language used is clearer and more

accessible, and that it's easier for different groups of users to find exactly what they're looking for.

There is a new feature to improve accessibility, including the ability to change font sizes and background colours.

We've also included the 'useful links' pages to help provide information and support about the practicalities of running a charity. There are a number of new links and we've added in descriptions of the type of help available at each one.

Size matters when planning safety nets

When we published our regulatory report into charity reserves (RS3) this March it made the headlines in papers as diverse as the Guardian and the Daily Mail. The headline grabber was the report's discovery that charities in England and Wales held over £5 billion in reserves without accounting for them with a reserves policy.

In July we published a separate report into reserves held by small charities - with incomes under £10,000 annually - which account for 54% of all charities registered in England and Wales. The Report: **Small Charities and Reserves (RS5)** told a very similar story, with only 17% of small charities surveyed having a policy on reserves.

A reserves policy is important for all charities. While many organisations have experienced extra financial pressure because of poor stock market returns, small charities can be particularly vulnerable as they generally have less financial flexibility. All

charities should therefore ask themselves: 'How would we cope if there was a sudden drop in our main source of income?'

The report found that small charities that had grasped this nettle and developed a reserves policy hadn't found it a particularly difficult task. Risk assessment forms part of reserves planning and for small charities should be proportionate to their size and actual needs. Small charities should ask themselves basic questions, like:

- how likely is it that our main income source will change?
- what would we do if it did?
- how would it affect our beneficiaries?

Inevitably some small charities won't be able to create an essential reserve, and they need to look at ways to cope if their usual income source dried up. Trustees in this situation need to think of alternatives, such as trying to diversify income streams or fundraising specifically for reserves.

In some cases reserves may not be necessary at all. For example, one of the survey respondents ran a playgroup charity and explained that parents raised money for their own children, not for future beneficiaries of the playgroup, and so had no reserves. In this case, it would be appropriate for the trustees to make a simple statement outlining their position and the reasons for it. This would be the basis of their reserves policy.

Small charities should be encouraged that our report showed them doing much better than larger charities when it came to their actual levels of reserves. 78% of small charities surveyed had actual levels that were consistent with their planned level compared to only 58% of larger charities.

RS5, 'Small Charities and Reserves' is available from the Commission's website at: www.charitycommission.gov.uk under 'Promoting Effective Performance' or by calling our Contact Centre.

Welcome to new Commissioners

We'd like to welcome our two new Commissioners, Lindsay Driscoll and Geraldine Peacock.

Lindsay was previously a charity law consultant with Sinclair Taylor and Martin and prior to that was Legal Adviser at the National Council for Voluntary Organisations.

Geraldine was Chief Executive at the Guide Dogs for the Blind Association and writes regularly on charity issues.

Fair play for charity

Groups working to promote equality and diversity and fighting discrimination have been given a helping hand to become charities. In July we announced our decision that the promotion of equality and diversity was now a charitable aim in its own right.

This landmark decision recognises the importance of diversity and the value of the work done by organisations working in this area. Examples of charities registered under this purpose include one which supports lesbian, gay and bisexual parents and another organisation tackling age discrimination.

New voluntary organisations working in this area are welcome to apply for registration, as well as existing charities wanting to modernise and expand their objectives to promote diversity.

Café Society

The problems of social deprivation and social exclusion in rural and urban areas are varied. Individuals and communities can be deprived by reasons of geographical isolation, lack of public transport, lack of local facilities or lack of access to facilities that many of us would take for granted.

A recent landmark decision by the Commission to register an internet café as a charity is therefore good news for organisations aimed at tackling this type of exclusion.

Use of the internet is growing in importance, and is increasingly the first choice of communication for governmental, commercial and voluntary organisations. While many of us now have access to the internet, those who don't can be at a real disadvantage. New Addington,

near Croydon, is an area which has its fair share of social deprivation, and is also the home of the group 'Community Server' which provides an internet café for its residents. We recently decided that in this context, this organisation is charitable, both as a recreational facility under the Recreational Charities Act 1958 or as a general public amenity, and we have agreed to register it as a charity.

In all cases like these, we need to be clear that the area in which the facility or service is to be provided is in an area of social deprivation and that the nature of the facility is beneficial to the public in a way that the law regards as charitable.

Full details of this decision can be found on our website under 'Decisions of the Commission'.

Where there's a will ...

Readers of last autumn's Charity Commission News may remember the launch of the Legacy Promotion Campaign's 'Remember a Charity' initiative to encourage people to leave legacies to charity in their will. One year further on the Campaign has significantly raised public awareness of its goal to increase the number of wills including a gift to charity; and ultimately to increase legacy income to the whole sector.

Milestones include an increase in membership to 111 charities, up from 86 charities at the launch of Remember A Charity a year ago. At the same time, research shows an increase in the number of people who say that they have actually included a charity in their will:

- In less than a year, the number of people "very likely" to leave money to charity in their wills has doubled.
- 8% of those who have recently made a will say they have included a charity.
- In Dec 2001, only 3.3% of the adult population had included a charity in their will - this has now risen to 4.6%.

Support from the legal and financial services sector is helping this change in will-making behaviour. Over 260 high street solicitors, leading private client firms and HSBC and Barclays, alongside the Association of Independent Financial Advisers, Society of Financial Advisers, Society of Trust and Estate Practitioners and Association of Private Client

Investment Managers are all working with the campaign.

The Campaign wants to build on the success of the advertising, media relations and direct mail campaign it undertook in 2002-3. For the next three years it will continue its media and partnership brokering programme, coupled with government lobbying to get legacy information included through public sector channels.

For further information about membership please contact Emma Bockhop on 020 7930 2620; email: emma.bockhop@legacypromotioncampaign.org.uk. Find out more at:

www.legacypromotioncampaign.org.uk

and

www.rememberacharity.org.uk

Help for small charities taking a big step

Virtually all small charities start life with a core of committed volunteers, but as time goes on, many will find themselves able to start recruiting staff. The legal and administrative aspects of employing staff can seem daunting, and the Inland Revenue has Business Support teams across the country who can help.

Despite the name, these teams provide advice and workshops for any organisation employing staff, and their services are free. The detailed advice on offer includes: which deadlines you need to meet, the forms you need to complete and the

records you need to keep. The teams can also check that a charity's payroll system is processing information accurately and reliably.

Workshops include subjects such as Statutory Sick Pay, Maternity Pay, Tax Credits and completing end of year returns. Advisors can also visit charities if this is more convenient.

For more information contact your local tax office and ask for the Business Support Team. Alternatively, call the Employer's Helpline on either 0845 607 0143 or 0845 714 3143.

Tax-effective giving - a free guide

Despite huge amounts of publicity, many charities are still not taking advantage of tax-effective giving methods like Gift Aid and are missing out on nearly £1 billion in extra income each year.

To help improve take-up, The Giving Campaign has produced a free guide to tax-effective giving for fundraisers at all levels. It's a step-by-step guide to the different forms, how they work and how to integrate them into fundraising.

At the same time The Giving Campaign has produced a separate guide for charity trustees, introducing the benefits of tax-effective giving from their perspective. To order a free copy of either guide, call 020 7930 3154, email: admin@givingcampaign.org.uk

or visit:

www.givingcampaign.org.uk.

Spiralling insurance costs signal new guidance

Charities have been fighting a constant battle against rising insurance costs, a fact acknowledged in our new guidance published in September. This revised guidance, 'Charities and Insurance' (CC49) has been produced as a result of a number of changes in our approach to key aspects of charity insurance, such as trustee indemnity insurance.

The guidance offers practical advice to charity trustees to help them decide which types, and levels, of insurance cover their

charity actually needs. The most likely types of insurance available have been updated to take into account changes in legislation since the original CC49 was published. It also strongly underlines the need for robust risk management, and gives advice on choosing the most effective ways to manage these risks.

'Charities and Insurance' is available from our website at www.charitycommission.gov.uk under 'Publications' or by calling our Contact Centre.

Revised publications

Some of these are mentioned in detail elsewhere in this issue, but for reference here is a list of all new and revised CC publications issued since the last edition of CC News:

CC1	Charity Commission Publications	08/03
CC4	Charities for the Relief of Financial Hardship	08/03
CC11	Payment of Charity Trustees	06/03
CC49	Charities and Insurance	09/03
CC59	Reporting the Activities and Achievements of Charities in Trustees' Annual Reports	06/03
GD1	Model Memorandum and Articles of Association	06/03

A Guide to Giving

There is a tradition of philanthropy on both sides of the Atlantic, but in recent years it was felt that giving by the wealthy was more common in the US. To encourage this trend in the UK the Association of Charitable Foundations set up Philanthropy UK in 2001 as a three-year project.

"A Guide to Giving", just published, is the first comprehensive handbook for donors showing them how to support charities in a tax-efficient and effective way. To assist this initiative, the Commission produced a model trust deed, streamlined application pack and guidance notes for the Guide - aimed at making the creation of a grant making charity as straightforward as possible. The Guide is downloadable at: www.philanthropyUK.org.

Questions, Questions ...

We'd like to apologise to readers of the last edition of Charity Commission News for two inaccuracies contained in the last edition of the newsletter. The first was in the insert which provided a calendar to help trustees calculate when their accounts were due. These are due 10 months after a charity's financial year-end.

The second mistake, under 'Questions, Questions' contained advice that, as a one-off measure, postal votes could be accepted from members of a charity, even where the governing document does not allow for it. That advice was wrong. The charity's governing document has to be changed first, using the procedure set out in the document.

We take these mistakes very seriously and have overhauled our sign-off procedure to ensure that all information contained in Charity Commission News is accurate, as readers have every right to expect.

Q. Our charity is considering purchasing Premium Bonds as part of our investments. Can we do this?

A. No, you can't. The powers of investment which charity trustees can use only apply to activities which are legally regarded as an 'investment'. While this term isn't defined by the Trustee Act 2000, our view is that an investment needs to offer some return. Premium Bonds wouldn't qualify as it is not certain that there will be any return. More guidance on investment can be found in our guidance CC14, 'Investment of Charitable Funds', available on our website.

Q. New trustees have been elected to our committee. Do you have any information that we can give them to help them with their duties?

A. A good basic start is our 'Welcome' leaflet and our guidance 'Responsibilities of Charity Trustees', (CC3) which sets out the duties of charity trustees and answers some of the most common questions. Free copies of both are available from our Contact Centre on 0870 333 0123 or from our website at: www.charitycommission.gov.uk under 'Publications'.

Remember it's also helpful for new trustees to get copies of the charity's governing document, last annual report, and recent minutes of meetings to help them better understand the charity and the way it works. Our Regulatory Report 'Trustee Recruitment, Selection and Induction' (RS1), also available from our website or by calling our Contact Centre, goes into more detail and offers a range of suggestions.

Beacon shines bright

Further to our article in the last edition of CC News, the Beacon Fellowship has reported "an overwhelming response" to their call for nominations to recognise those who make major contributions to charities large and small, supporting causes popular and unpopular, at home and abroad.

Beacon Chief Executive Emily Stonor said almost 800 high quality applications with lots of supporting material were received, giving the judges a strong range of choice.

Emily added, "We very much welcome the opportunity of the

Charity Commission Newsletter to say thank you to the charitable sector for backing up our initiative with so much hard work. This makes all of us at Beacon feel certain that the driving force behind our project that not enough is done to honour the achievement of charity supporters, and to promote best practice, is an impression shared by so many. Of course we have to have winners, but in our eyes every entrant is a winner".

The Judges have decided that fourteen individuals should be honoured ranging in age from 15 to 88. The Prize recipients were announced last month, and details can be found on the

Beacon website at: www.beaconfellowship.org.uk.

They will be presented with their Beacon Awards at a ceremony at No 11 Downing Street early in the New Year. In addition an overall winner will also be announced at the ceremony who will receive a £20,000 donation for their charity of choice.

Next year's Beacon Prizes get underway in the spring and Beacon hope for even more nominations. In response to the large number of entries this year from small community based charities Beacon will also be awarding a new Community Prize next year.