



NEWS

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In this issue...

Exciting times - Geraldine Peacock's introduction	1
The Bill is back - charities Bill update	2
The Commission's future strategy	2
The future right now: our new strategy in action	
• The Essential Trustee	3
• Overboard or on-board? – trustee recruitment	3
• More trustees on-board – Timebank campaign	4
• Many happy returns – Annual Returns change	4
Dealing with disputes	5
Accounts open to all	5
Revised SORP 2005	5
Benefiting from the legacy campaign	6
Smaller charities and payroll giving	6
The Commission's first public AGM	6
Streamlining licensing – new legislation	7
Questions, questions...	7
Publications update	7
Ensuring equality – free guide	8
Raising the bar for running charities	8
How to find us	8

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Exciting times – Introduction by Geraldine Peacock

I'm very pleased to be writing this introduction to the new look Charity Commission News after becoming the Commission's Chairman last year and just after the introduction of a new charities Bill. This is a testament to the commitment of so many in the sector to get charities – and the Commission – the legislation needed to meet today's challenges.

This edition of the newsletter announces some of the initial results of our own strategic review, and I hope readers will agree they bring tangible benefits to charities. We want to ensure we are a modern regulator, focussing clearly on the real needs of charities and the public that supports them.

It's important that we're proactive, strategic and outcome-focussed. Our blueprint for this, 'Charity working at the heart of society – the way forward 2005-2008', can be found on our website.

It's an incredibly exciting time for both the Commission and the charity sector as a whole. With a new charities Act on the horizon, there's a great deal for us to be getting to grips with, including our new strategic direction and our joint campaign with Timebank to encourage trusteeship.

I hope you find this edition of Charity Commission News informative and useful and please check our website to keep updated with the latest developments.

Geraldine Peacock

Geraldine Peacock, Chairman

The Bill is back

Last November's edition of Charity Commission News reported on the draft charities Bill. The Bill itself was published in December 2004 and was debated in the House of Lords, but failed to become law before Parliament was dissolved for the general election.



We are pleased that a new charities Bill has been re-introduced, following its inclusion in the Queen's Speech on 17 May. It will have to go through the usual parliamentary stages, but as there has already been considerable debate on its proposals, we hope that it will make good progress. The issue of public benefit, covered in the last two editions of this newsletter, was hotly debated. One of the changes made in the new Bill is the inclusion of a new objective for the Commission – to raise awareness and understanding of how charities should benefit the public – which we will take forward as legislation allows.

As part of the debate we published an explanation of how we expect to carry out this new objective if the Bill becomes law, together with a commentary on the descriptions

of charitable purposes in the Bill. 'Public benefit – the Charity Commission's approach', 'Public benefit – the legal principles', and 'Commentary on the descriptions of charitable purposes in the charities Bill' can be found under 'charities Bill update' on the Home Page of our website.

Our website will contain information on any future developments on the new Bill, so check it regularly for updates.

The charities and Trustee Investments (Scotland) Bill is still on course for Royal Assent in July. Clearly this would mean the Scottish legislation would precede any new legislation in England and Wales. As we said in the last issue, the Bill proposes that charities with significant operations in Scotland will have to register in Scotland even if they are registered

elsewhere. This would affect a number of charities in England and Wales. More details of the Bill's progress can be found at:

www.scottish.parliament.uk/business/bills/billsInProgress/charities.htm

To help ensure consistency we've been working closely with the Office of the Scottish Charity Regulator (OSCR) and in May we were delighted to sign a Memorandum of Understanding with the Scottish regulator, which further develops our commitment for joined up regulation across England, Scotland and Wales. The agreement looks to minimise the burden of regulation for those charities operating across the country and paves the way for greater collaboration and information sharing in the future.

The Commission's future strategy

Since the appointment of Geraldine Peacock as Chairman and Andrew Hind as Chief Executive, we've been conducting a radical rethink about the way we work and what we stand for. The results of this strategic review were announced at our open board meeting in March and will mean far-reaching changes to our structure, principles and priorities. Key changes will include:

- a new vision of 'charity working at the heart of society' as the basis for our mission and values, which will drive all our work
- greater consistency in the services we provide to charities, reducing duplication of work in our different offices. We'll bring all one-to-one

operational services together under a new Charity Services division

- asking charities only for information we need and delivering an enhanced focus on risk. We'll create a new 'Reception' unit to fast flow charities directly to the right part of the Commission, deal with general enquiries, give general advice and guidance and, where necessary, signpost to other useful organisations
- encouraging charities to improve their performance by creating a new Charity Effectiveness division, encouraging best practice and innovation across the sector, plus closer working with umbrella bodies to spread the lessons learned

- ensuring we engage more effectively with the public and other stakeholders with the creation of a new Public Affairs unit, to liaise with government and to produce policies which meet charities' needs
- harder, faster, sharper compliance action when and where needed

The full report into the findings of our strategic review, 'Charity working at the heart of society – the way forward 2005 – 2008', can be found on our website under 'About the Charity Commission'.

The future right now – our new strategy in action

The Essential Trustee

Responding to concerns from trustees, one of our strategic review outcomes is that we will clearly separate guidance for charities about what they 'must do' according to legal requirements, from what they 'should do' to meet best practice.

June sees the launch of our booklet 'The Essential Trustee' (CC3), which looks at the duties of charity trustees. The guidance clearly differentiates between the 'musts' and 'shoulds'.

The booklet replaces the March 2002 version of CC3 'Responsibilities of charity trustees'. It sets out trustee duties and looks at a selection of questions that new or existing trustees might ask about their duties, giving a concise summary answer and then giving more background.

We developed the new format following consultation with our Customer Network and we are grateful to all members of the network who provided us with feedback.

Even if you are familiar with the earlier version, please take the time to read the new version as a way of refreshing your knowledge of trustee responsibilities.

'The Essential Trustee' is available on our website www.charitycommission.gov.uk under 'Publications' or from our contact centre on 0870 333 0123.



Overboard or on-board?

Another thing our strategic review identified was that the charity sector wants the Commission to do more to spread ideas about best practice. A key role for us in the future will be helping charities maximise their impact. Trustees are the backbone of any charity, yet many charities tell us they have problems getting new trustees and keeping them once they've got them. The process of finding and welcoming new trustees to an existing board is an important opportunity to evaluate and improve a charity's effectiveness.

Two publications due out in June aim to help charities make the most of the recruitment process.

In our experience, boards of trustees are more likely to:

- recruit successfully if they do so openly and transparently, and avoid the trap of recruiting only through word of mouth;
- operate successfully if they make sure they give new trustees the key information they need to run the charity – such as the charity's governing document; and
- command confidence and respect from their users and other stakeholders if they demonstrate diversity in its widest sense – skills, age, sex, race and background.

'Start as you mean to go on' is our latest regulatory report (RS10). It updates and expands upon our findings in 'Trustee recruitment, selection and induction' (RS1). Both reports identify a number of ways in which the recruitment, selection and induction of charity trustees could be improved, drawn from our casework experience and supporting research.

'Recruitment, selection and appointment of charity trustees' (CC30) explains these improvements in more detail, consolidates our existing guidance and provides new guidance on ways of checking the eligibility of prospective trustees.

The future right now – our new strategy in action

More trustees on board this summer

We want to help the public make better-informed choices about how they engage with charities as well as championing the work of the sector itself.

This summer we're launching a campaign with Timebank – a volunteering charity funded by the Home Office – to encourage more people to volunteer as trustees. Many people don't know what a trustee is or does, and so are not in a position to think about becoming one. Stereotypes about charities and those involved in them abound and we're keen to use the campaign to dispel them. We want to make

skilled trusteeship as representative as charities themselves and we'll be targeting a wide range of audiences – from graduates to the retired, men and women and a range of different minority groups.

A recent survey showed that 73% of employers say they would prefer to recruit someone with volunteering experience, than one without and we'll be looking at the wider personal motivation and benefits which trusteeship can bring. People may also be concerned about issues of personal liability, and we'll be sending a clear and reassuring message on this.

The campaign will start in August, and we'd encourage trustee boards to think about using it to make their trustee vacancies public. Visit www.do-it.org or Timebank at www.timebank.org.uk for advice on advertising your posts. We'll be supplying Timebank with the key publications and information which prospective trustees need to help them. We very much hope that the end result of the campaign will be an increase in both the quantity and quality of trustees, and a higher profile for trusteeship across the country.

Many Happy Returns

A key challenge for us arising from our strategic review is that, in the future, we are committed to only asking charities for the information we need. Therefore we have worked hard to reduce the number of questions in the Annual Return for 2005 to the minimum level possible. As a result, 56,000 smaller charities will no longer have to complete part B of the Annual Return.

These smaller charities will find fewer questions to complete and a focus on providing essential information only. We hope this helps to minimise the regulatory burden for the majority of charities and allow them to concentrate on their valuable day-to-day business.

All charities with income and expenditure of over £10,000 must send us an Annual Return, a set of accounts and trustees' annual

report. However, as part of our proportionate approach, the type of Annual Return charities receive will depend upon the income details they provided last year. Smaller charities will find they have less to complete than larger organisations.

Those with an income and expenditure of between £10,000 and £250,000 will receive a single form, which asks for the essential information required to update our Register. Overall, these changes mean that 56,000 charities will no longer have to complete part B of the Annual Return.

Charities with an income and expenditure of over £250,000 and up to £1million are required to complete Parts A and B of the Annual Return. Part B asks for information dealing with fundraising, trustee benefits and trading.

Charities with an income and expenditure of over £1million will have to complete Parts A & B, together with a new Part C – the Summary Information Return (SIR). This asks the largest charities to explain, in their own words, how they benefit the public and what they achieve. We hope the SIR will become a valuable reporting tool that helps charities tell their story to a wider audience.

Charities under the £10,000 threshold don't have to complete an Annual Return, but as they must tell us about changes to their charity details, we ask them to use the Annual Information Update form we send to them. We use this information when we need to get in touch with them as well as to keep the Register of charities up to date.

Further details about the forms and reporting requirements can be found on our website – follow the link to 'Annual Returns'.

Revised SORP 2005

We published the revised Statement of Recommended Practice: Accounting and Reporting for charities' (SORP) in March. The updated recommendations apply to accounting periods beginning on or after 1st April 2005, although we are encouraging its use as early as possible.

The SORP applies to charities' preparing accrual accounts that are required to give a 'true and fair view'. Charities exempt from a statutory audit requirement (currently those with income or expenditure of less than £250,000) are able to adopt a more flexible approach when presenting their Statement of Financial Activities. They also have to give significantly less information in both their Trustees' Annual Report and the notes accompanying their accounts. The SORP doesn't apply to small charities that prepare receipts and payments accounts.

SORP provides an authoritative guide to using the accounting standards for charities' and gives specific advice on how to account for transactions which occur in the charity sector. The aim is to provide a consistent framework in the way charity accounts are prepared. It applies to all charities in the UK unless a more specific SORP applies - such as those for Universities or Registered Social Landlords.

The revised SORP builds on the foundations of the previous version - updating guidance for new accounting standards and taking on board new developments in reporting practice. It helps charities explain what they aim to do, how they go about it and what they achieve, pulling together both narrative and financial reporting into a coherent package. Both the research and input from the sector and the SORP Committee have been central to developing this SORP.

Key revisions include:

- a new approach to the presentation of the trustees' annual report, stressing the reporting of activities and performance against a charity's objectives
- an emphasis in the Statement of Financial Activities on the disclosure of the activities, services, programmes and projects undertaken
- improved guidance on when transactions are recognised
- accounting guidance for new developments such as programme related investments and total return on investments; and
- disclosure of grants made to institutions based on materiality principles.

SORP 2005 is now available to download from the Commission's website at - www.charitycommission.gov.uk/investigations/sorp/default.asp

Printed versions can be ordered by charities from the publishers CCH at £15 per copy. To order, charities should call CCH on 0870 777 2906 (between 8.30am and 5.30pm weekdays) or email their customer services, quoting product code CCSORP at customerservices@cch.co.uk. Alternatively orders can be placed online at: www.cch.co.uk/product319.



Dealing with disputes

Disputes which aren't handled properly can damage a charity in every possible way, risking funds, public support and weakening its capacity to carry out its work. The Commission still deals with far too many cases involving unresolved disputes which have brought charities to the brink.

In most cases, mediation in the early stages of a dispute provides an opportunity to stop things escalating and helps point to a constructive way forward. The NCVO/CEDR mediation service, supported by the Active Community Unit of the Home Office offers mediation for voluntary and community organisations at a subsidised rate. For further information contact CEDR Solve on 020 7536 6060 or visit www.cedr.co.uk.

Accounts open to all

Public demand for greater accountability from the charities they support continues to grow, backed up by modernising government targets. We've been piloting the online publication of a sample of the largest 300 charities' scanned accounts for some time, and are now getting ready to publish the accounts we receive from all charities.

We plan to start this process later this year. Because we'll be scanning charity accounts we'll only keep paper copies of accounts received for 6 months after checking the scanned copies for accuracy and quality. We hope this initiative will add to the efforts already being made by charities to show their accountability.

The Commission's first public AGM



We hope readers will have noticed a new commitment to openness and transparency from the Commission. We urge charities to demonstrate this and it's important we show this ourselves. We've now held five open board meetings,

most recently in York, and are looking forward to our first public AGM. This is an opportunity for any trustee or member of the public to come and ask the Commission's 'top team' questions.

Final arrangements will be agreed soon but the AGM will be held in London in September. Exact details will be on our website under 'About the Charity Commission.'

Is your charity benefiting from the legacy campaign yet?

The 'Remember A Charity' campaign, which encourages people to leave money to charities in their wills, is about to appear on national TV for the first time.

Many recent members are smaller organisations which welcome the opportunity to make their case alongside bigger charities. Membership is open to charities of any size; cost is according to voluntary income.

For further information about membership go to www.legacypromotioncampaign.org.uk or call 020 7840 1030

Smaller Organisations Offered £500 for Payroll Giving

The new Payroll Giving Grants Programme, run by the Institute of Fundraising and Business in the Community (BITC), offers smaller charities an opportunity to build relationships with local businesses.

Any organisation with less than 500 employees that sets up Payroll Giving between April 2004 and the end of 2006 is eligible for a grant of between £300 and £500. The programme also matches the first £10 of each employee's monthly donations pound for pound.

The Institute and BITC say that these Payroll Giving Grants are a key way for smaller, community-based charities to engage local businesses and their employees in their cause and to secure a regular, reliable income.

For information visit www.payrollgivinggrants.org.uk or call the dedicated hotline on 0845 602 6786.

Streamlining licensing – new legislation

Charities that need licences for a variety of situations will be interested to know that the Licensing Act 2003 will come into force in November this year. The current six existing licensing regimes: for alcohol, public entertainment, cinema, theatre, late night refreshment and night café licensing will be streamlined into a single system.

The Act aims to give organisations the flexibility to organise a variety of events that appeal to donors or service users. It will also make it easier to run one-off or occasional events. The changes mean it will



only be necessary to give 10 days notice to the licensing authority and police before the event takes place. This may be of particular benefit to community based charities organising small events such as a bar at a school fete. The Act also exempts raffles and tombolas when alcohol is given as a prize.

Please bear in mind that not all charities can provide alcohol for sale or consumption on their premises, some have restrictions in their governing document. Our publication **'Providing alcohol on charity premises'** (CC27) gives more information and can be found on our website under **'Publications'**.

New licences are already being issued. For more information about the licensing Act 2003 visit the DCMS website at www.culture.gov.uk and click on **'alcohol and entertainment'**.

Publications update

We're continuing with our programme of updating existing guidance and publishing new material. Since the last edition of Charity Commission News we have published or amended the following:

- **'Village Halls and Community Centres'** (RS9) – our latest regulatory snapshot of the sector plus RS9a, a summary of its most important findings
- **'Investment of Charitable Funds'** (CC14) – a major revision of our core guidance, intended to complement the more detailed guidance on our website
- **'Declaration of Trust'** (GD2) – a revised model of this governing document
- **'Registering as a Charity'** (CC21) – minor revisions to this guide and the application and declaration forms required for registration
- **'charities and Meetings'** (CC48) and **'charities and the Charity Commission'** (CC2) – minor revisions to both these publications.

All these publications are available to download from our website under **'Publications'** or by calling our Contact Centre on 0870 333 0123.

Questions, Questions ...

Q. We need to make changes to our governing document – how do we go about this?

A. Firstly, you'll need to check the governing document to see if it has an 'amendment clause'. If it does, this will give details of which clauses in the document can be changed and the process for doing this.

If there isn't an amendment clause then read **'Amending charities' Governing Documents: Orders and Schemes'** (CC36), telephone us on 0870 333 0123 or send an e-mail to enquiries@charitycommission.gsi.gov.uk and we'll advise you on other options available. These would usually involve us making a scheme or order to authorise the necessary change.

Q. We're having some literature printed – what does the law say about including our registered charity name and number on material?

A. This is a requirement of the charities Act 1993 (Section 5) which

states that any charity whose income was over £10,000 in its last financial year must legibly state that it's a registered charity. This needs to be stated in:

- all notices, advertisements and other documents issued by the charity or on its behalf which solicits money or other property for the charity.
- all bills of exchange, promissory notes, endorsements, cheques and orders for money or goods claiming to be signed on behalf of the charity.
- all bills given by it and in all its invoices, receipts and letters of credit.

Ensuring that the organisation's registered charity status appears on everything it produces may be the easiest way to ensure all these bases are covered. While it's not actually a legal requirement that the charity's registration number appears, it's something that people increasingly look out for and expect so it's common sense to ensure this is also included.

Q. Help! I've been asked to be a 'holding trustee' but I've no idea what this means or what my responsibilities would be.

A. A holding trustee is just one name for a 'nominee' trustee. Other terms used are 'custodian' or 'bare' trustees. These are people usually appointed by the charity trustees to hold the legal title to the charity's property or investments on the trustees' behalf.

Nominees have no role as such in the charity's management, and must act only on the specific instructions of the charity trustees (unless, obviously, they are told to do something which is in breach of trust).

Their role and responsibilities may be defined in the charity's governing document, or in an agreement between the charity trustees and the nominee. Ask to see a copy of the governing document to see what the role involves.

Raising the bar for running charities

Research carried out in late 2002 and early 2003 suggested there was a need for National Occupational Standards (NOS) for trustees and management committee members.

NOS provide a framework of good practice in the way that people work, based on the functions of their job or role. NOS describe the skills, knowledge and understanding required to carry out a specific role competently, and can be useful in providing:

- a framework for good practice; and
- a guide for developing materials for training or development purposes.

NOS can also form a useful tool as a skills checklist for recruitment purposes, and can help develop induction programmes and relevant qualifications.

A UK-wide set of standards is currently being drafted and consultation on these will take place from June to September. The draft standards will be available at www.voluntarysectorskills.org.uk

in early June. These web pages will also contain details of a series of consultation events that are taking place over the summer.

To be informed directly of when the draft standards are ready for consultation or for more information, contact Karen Hale-Robertson at the Voluntary Sector Training Organisation (VSNTO) on 020 7520 2415 or Karen.hale-robertson@ncvo-vol.org.uk

Ensuring Equality

In December 2003 it became unlawful to discriminate against workers due to their sexual orientation, religion or belief, but levels of awareness about how discrimination might occur in these instances can be patchy. Despite the diversity of the voluntary sector itself, research indicates that, for example, lesbians and gay men face disproportionate discrimination amongst voluntary organisations, so there's still work to be done.

The National Council for Voluntary Organisations (NCVO) have now produced a plain English guide to help voluntary and community organisations apply the 2003 employment equality regulations. Although the legislation relates to employment, it may also cover trustees and volunteers, so the guide is useful for all charities whatever their size and whether or not they employ staff.

'Making Equality Simple' explains why the law was introduced, provides an outline of the legislation and gives numerous practical examples of how the law works in practice.

The guide is free to all charities and voluntary organisations. If your charity would like a copy please call the NCVO on 020 7713 6161 or visit their website at www.ncvo-vol.org.uk/makingequalitysimple.

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