



MP Factsheet

Public benefit and charities

What is public benefit?

Public benefit is central to the work of all charities. Being a charity is not the same as being an organisation that does 'good things'. Charity has an outward, inclusive nature; it is not inward-looking, for private benefit. Whilst the charitable sector is enormous and very diverse, the aims of each and every charity, whatever its size, must be for the public benefit.

Public benefit isn't a new requirement but the Charities Act 2006 introduced new legislation for charities which, among other things, placed a new emphasis on the need for all charities to have aims that are for the public benefit. Previously, the law presumed this to be the case for organisations that advance education or religion or relieve poverty. The law requires that, for an organisation to be a charity it must have aims that fall within the descriptions of purposes listed in the Charities Act and are for the public benefit. This means:

1. there must be an identifiable benefit or benefits, related to the aims of the charity; and
2. benefit must be to the public, or a section of the public.

What's the Charity Commission's role in relation to public benefit?

As the regulator, the Commission has a statutory objective 'to promote awareness and understanding of the operation of the public benefit requirement'. We're also required to consult on and produce guidance for charities.

My constituent is a trustee of a charity. What do they need to think about in terms of public benefit?

If your constituent's charity has an income of £10,000 a year or more, they'll need to include a summary on their charity's public benefit in their Trustees' Annual Report. This needs to include:

1. a report of the activities carried out by the charity to further its charitable purposes for the public benefit; and
2. a statement by the trustees about whether they've paid due regard to public benefit guidance published by the Commission.

Guidance on public benefit, including example reports showing clearly what trustees need to send, is available on our website:

www.charitycommission.gov.uk/Charity_requirements_guidance/Accounting_and_reporting/Preparing_annual_reports/Demonstrating_public_benefit_index.aspx

Public benefit reporting shouldn't just be seen as a statutory duty that trustees have to meet and that we regulate. It's also a report to the charity's stakeholders – its funders, its beneficiaries and anyone interested in the charity.

My constituent wants to set up a charity. What will they need to consider in relation to public benefit?

When your constituent applies to register their organisation as a charity, we'll ask them for information about their charity's aims and how the aims will be carried out for the public benefit. We'll use this information to assess whether the organisation's aims are charitable. In most cases, this will be entirely straightforward.

If the organisation's aims, or the way in which they will be carried out, are novel or have some unusual feature, we'll assess the information carefully against the principles set out in our published guidance. Where necessary, we'll help your constituent clarify their organisation's aims and objectives.

Are existing charities affected by public benefit?

Yes – existing charities must continue to operate for the public benefit throughout their lives.

What guidance does the Charity Commission have for different types of charity?

We have published a wide range of public benefit guidance, all of which is available on our website. We're fully aware that charities carry out a vast range of activities and have widely differing aims and objectives. To reflect this, we've published general public benefit guidance for all types of charity:

Charities and Public Benefit:

www.charitycommission.gov.uk/Library/guidance/publicbenefittext.pdf

We've also published supplementary guidance aimed at charities which previously benefited from the presumption of public benefit that was removed by the Charities Act 2006:

Charities set up for the relief of poverty:

www.charitycommission.gov.uk/Library/guidance/pbpovertytext.pdf

Charities set up for the advancement of religion:

www.charitycommission.gov.uk/Library/guidance/pbreligiontext.pdf

Charities set up for the advancement of education:

www.charitycommission.gov.uk/Library/guidance/pbeductext.pdf

What about fee-charging charities?

Charities can and do charge fees for their services, for example independent schools, private hospitals or art galleries that charge an entrance fee. They can also charge fees that more than cover the cost of providing services and facilities, as long as the charges are reasonable and required to carry out the charity's aims, for example in maintaining or developing the services it provides.

However, such charities need to ensure that people who can't afford to pay the fees have an opportunity to benefit in a way that relates to the charity's aims. There are many ways they can do this. We publish guidance specifically for fee-charging charities on our website:

www.charitycommission.gov.uk/Library/guidance/pbfeechatext.pdf

How does the Charity Commission assess public benefit?

We consider public benefit for all organisations that apply to register as charities. In addition, we've carried out a series of assessments of individual charities, starting with those most affected by the changes to public benefit law. These found that most of these charities are already operating for the public benefit. The few that weren't have now put action plans in place to make sure that a sufficiently wide section of the public benefits from their services. In assessing public benefit and considering what actions need to be taken and how quickly, we've taken into account the size and the particular circumstances of each of the charities involved.

What do charity trustees think of public benefit?

Our independent research has found that three quarters (76%) of charity trustees say that they know about public benefit. In addition, 98% of respondents who are aware are confident that their charity can demonstrate its public benefit. The full results of our research are available on our website:

www.charitycommission.gov.uk/Library/guidance/rs22text.pdf

Our senior staff are always happy to meet with parliamentarians to brief them on an issue, to address specific concerns, or to discuss the work of the Charity Commission generally. If such a meeting would be useful to you, contact our Public Affairs Manager, Jack Rowley, by telephone on 020 7674 2322 or by email at jack.rowley@charitycommission.gsi.gov.uk