



CHARITY COMMISSION
FOR ENGLAND AND WALES

NEWS

Contents

- Public trust and confidence in charities has fallen, shows commission report
- Changes for those who raise funds from the public
- Charity Commission's 2015-16 annual report
- The Charities Act and your views on new powers for the commission
- Promoting the effective use of assets and resources
- Improving the quality of small charity accounts
- Companies House Register of People with Significant Control
- Reminder on business rate relief
- Consulting on the framework for accounting and reporting
- A successful public meeting in Wales
- Guidance for charities on legal proceedings
- Tackling fraud in the charity sector
- Managing the paper mountain
- Updated terrorism alert email
- Are your contact details up-to-date?

CC News 54 - July 2016

Public trust and confidence in charities has fallen, shows commission report

Our biennial research on public trust and confidence in charities shows trust has fallen from 6.7 in 2014 to 5.7 out of 10 this year. **The report** found that the drop can be attributed to critical media coverage of charity practices, distrust about how charities spend donations, and a lack of knowledge among the public about where their donations go. Perceptions of aggressive fundraising tactics have also contributed to the decline in trust and confidence.

However, the report also demonstrates the factors that the public's trust depends on. As Sarah Atkinson, our Director of Policy and Communications, said, it provides a *"a clear road map for regaining trust: make connections with the public, meet high standards for raising and managing money, explain all this clearly, and show how you are making a difference to the cause"*. Read more on our blog on **how charities can help rebuild trust in the sector**.

Changes for those who raise funds from the public

We recently issued our **updated guidance on fundraising**. This is a must read for any charities who raise funds from the public and makes clear that trustees have ultimately responsibility for their charity's fundraising. It sets out 6 key principles to help trustees comply with their legal duties when overseeing their charity's fundraising.

We've signposted other information on the legal rules about fundraising, and have created a useful **checklist** that you can use to evaluate how your charity is doing.

Alongside this new guidance, the new independent regulator of charitable fundraising launched on 7 July and will begin registering charities in the autumn. Support

for the Fundraising Regulator will be vital to address public concern about these issues. We would encourage all charities to sign up for communications from the organisation via **its website**. Further information about how to register will be provided by the Fundraising Regulator soon.

Charity Commission's 2015-16 annual report

We recently published our **annual report** for 2015-16. It tells the story of how we have promoted stronger governance and greater trustee oversight in charities over the last year through initiatives such as our clearer **Essential trustee** guidance and revised guidance on financial resilience and fundraising.

Our report sets out how we have delivered against our strategic plan and explains how we are continuing to digitally transform our work to achieve more with the same budget.

The Charities Act and your views on new powers for the commission

A number of powers in the new Charities Act are coming into force over the next 6 months. A **Cabinet Office timetable** has been published explaining when these come into effect. One significant new provision in the Act is our power to disqualify individuals from being trustees and holding senior management

functions at charities. We have a **consultation** on this topic open until 22 August and we welcome your views on our proposed approach to exercising this power. We are also **currently consulting** on the use of the official warning power available to us from October this year.

Whilst some of these powers will only be used in statutory inquiries and affect a relatively small number of charities and trustees, they will improve our ability to resolve cases with a better regulatory outcome. For more details on how the Charities Act may affect your charity, visit **our blog**.

Promoting the effective use of assets and resources

Whilst a lot of our public-facing work is compliance-related, around two thirds of our casework involves helping charities solve problems. This includes situations such as:

- authorising the National Trust to negotiate an agreement with its tenants to waive entitlement to a percentage of modern ground rent; had we not done so, multiple tenants in around 300 properties might have had difficulty in paying increased rents

- in 1931, the founder of Lipton Tea left his home to become a home for retired nurses but it is no longer viable to keep it open; we altered the governing document of The Sir Thomas Lipton Charity to allow the trustee to dispose of the property and consider a more suitable solution

If you want to find out more about making changes to your assets or resources to operate more efficiently, read our **guidance**.

Improving the quality of small charity accounts

Does your charity have an annual income of less than £25,000? If so, you are not required to file an annual report and accounts with us when you complete your annual return (unless your charity is a Charitable Incorporated Organisation), but you are still required to prepare and make these available on request.

We recently published our **first report on the quality of accounts produced by small charities**, which found that just under half of charities in our sample produced accounts that met a minimum basic standard. The most common failing was the lack of a trustees' annual report, whilst one in six didn't provide any narrative

report with their accounts and one in five sent a chair's statement or notes of an annual meeting, rather than an annual report. Use **our guidance and templates** to produce a trustees' annual report and accounts that both meets our requirements and keeps your supporters informed about your charity's activities.

Companies House Register of People with Significant Control

A new law has recently come into effect that requires all companies, including charities that are companies, to keep a register of the people that can influence or control a company, known as People with Significant Control (PSCs). The aim is to identify those with ultimate control or ownership of the company, for example major shareholders. Companies will need to identify these 'PSCs', record details on their own register, and file this information with Companies House. It's important to note that the PSCs of charitable companies will not necessarily be your charity's trustees and we expect some charitable companies will not have any PSCs. Companies that don't comply with the regulations may be fined, so make sure you read the **information in full**.

Reminder on business rate relief

We are aware that some charities are being approached by retailers and landlords about tenancy agreements that would entitle them to **discounted business rates**. Trustees are reminded that before entering into any tenancy agreements to occupy empty properties, they must:

- be assured that the tenancy agreement is for the exclusive benefit of the charity, will further the charity's purposes and is in its best interests
- ensure the property is genuinely required and is fit for purpose
- consider the potential liability of the charity to pay outstanding rates if the local authority disputes use of the premises and refuses rates relief
- very carefully safeguard the charity's independence and ensure the charity is not being abused for the benefit of a commercial company
- exercise caution and where possible take independent professional advice from the relevant council department or a legal advisor

Consulting on the framework for accounting and reporting

At the commission we aim to provide trustees with a straightforward framework for reporting and accounting. Charitable companies and larger charities prepare their accounts using the Statement of Recommended Practice (SORP), which sets out the required contents of the trustees' annual report and the accounts. We, along with the Office of the Scottish Charity Regulator, are currently seeking your views on how the SORP can be improved. The consultation document can be viewed via the dedicated **SORP micro-site** and will close on 11 December 2016.

A successful public meeting in Wales

On 7 June, we held a public meeting in Llandrindod Wells, Wales. Our Chairman, William Shawcross, and Deputy Chairman and board member, Eryl Besse, opened the event, attended by over 100 representatives from a range of charities. There were presentations from staff at the commission and

NCVO focusing on how charities can improve their financial resilience. Highlights included:

- managing your finances - 15 key questions to ask
- improving the way your charity works
- the digitisation of the commission

There was also an engaging group discussion about issues trustees are currently facing and potential solutions. The slides from the event are available on **GOV.UK**. For details about the next public meeting, keep an eye on our **homepage** and **social media**.

Guidance for charities on legal proceedings

Soon we will be issuing brand new guidance for trustees about litigation. Legal proceedings can present significant risk to a charity, and this guidance will provide advice on what trustees need to know when thinking about taking or defending legal action, and when we need to be involved.

The decision whether or not to initiate or defend litigation must only be made in the best interests of the charity and be balanced against the risks and consequences that any legal action could bring. The full guidance and legal underpinnings will be published soon on GOV.UK.

Tackling fraud in the charity sector

Over the last year we've developed several initiatives to enhance the already good work by charities to tackle fraud and are supporting research aimed at improving the sector's understanding of charity fraudster motivation. Since the last CC News, we **alerted** charities to

the risk of cyber-fraud and online extortion demands.

We have also established the **Charity Sector Counter Fraud Group**, which brings together over 30 charities, professional bodies and other stakeholders to enhance the fraud resilience of the sector. Our CGCFG

web pages are devoted to sharing good practice in tackling charity fraud and on 28 October we and the Fraud Advisory Panel will be hosting the second **National Charity Fraud Conference**. We will also be jointly holding regional fraud workshops in due course.

Managing the paper mountain

We often get a lot of people asking about record retention requirements and how long they need to keep key financial information for. Fortunately, Buzzacott Accountants has a handy **factsheet** on the suggested retention period for the documents most commonly held by charities.

Updated terrorism alert email

Last year, the NTFIU and the commission released **an alert** about the duties of trustees, and others involved with charities, under s19 of the Terrorism Act 2000. Please note that there is now a new email address to report

concerns of a s19 offence being committed: **S19Alerts@met.pnn.police.uk**. Trustees must also ensure that any suspicions or beliefs are reported to us under the **Serious Incident Reporting framework**.

Are your contact details up-to-date?

Please take a moment to log in to our **online portal** and check that we have the correct contact details for your charity's named contacts, including an up-to-date email address, so that we can quickly contact you when needed.



Want to keep up to date with all our news, guidance and events? Make sure you're following us on **Twitter @ChtyCommission**, **LinkedIn**, and sign up to our **blog**