

Charity Commission News – Spring 2011

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Introduction by Dame Suzi

Welcome to CC News 34. In February, after a thorough process of consultation, the Commission set out what our key regulatory priorities will be for the years ahead. As explained in previous editions of CC News, the review of our strategy comes in response to significant cuts to the Commission's budget, which will mean losing a third of our staff by 2015.

The consultation revealed that almost all of our stakeholders agree on two key principles, namely that the Commission exists to serve the public, rather than charities themselves, and that we should focus on the things only we as the regulator can do.

These principles mean that our relationship with the sector we regulate will change over the coming years - this edition of CC News explains what that is likely to mean for trustees.

This edition also introduces several new and updated pieces of guidance. While they deal with a range of different types of charity activity, these sets of guidance have one thing in common: each emphasise the importance of effective risk management in charities. Risk management might sound like regulatory jargon. But it describes a very simple concept. As those entrusted with responsibility for charities, trustees must think ahead and consider how their charity and its work are likely to be affected by change – whether that be change to the environment they work in or to the charity's individual circumstances.

As the economic climate for the sector remains uncertain, consider the steps you can take to future-proof your charity. Look out, too, for new opportunities and new ways of fulfilling your objects.

I hope this edition of CC News helps you do just that.

Electronic signature

Trusting trustees

As Dame Suzi explained in her introduction, the Commission has now identified the key principles that will guide our work over the next four years.

One of those principles is that we will focus on our core regulatory role. That includes maintaining the register, publishing guidance on charity law and investigating the most serious cases of mismanagement in charities.

There will be fewer resources for us to promote good practice or develop charities' effectiveness, but we know that sector organisations such as umbrella charities are keen to take on more responsibility in these areas.

For trustees, these developments will mean a greater degree of flexibility and freedom in managing their charities. For instance, we will look at introducing systems of self-certification for some decisions for which trustees currently need our permission.

Generally, the Commission will have fewer one-to-one interactions with trustees. There will, of course, always be occasions on which we have to engage directly with individual charities. But we will cut down on the amount of tailored advice we provide to trustees of individual charities, focusing instead on publishing clear guidance. We will also intervene less frequently in charities experiencing problems. Instead, our investigatory work will concentrate on cases that involve serious and systemic risk.

These changes will not be sudden and we are committed to helping charities adjust to the new environment, notably by working with sector bodies to help them take over some of the work we have been doing.

We plan to publish the new strategy in the summer. In the meantime, you can keep up-to-date with our progress via the Commission's [strategic review BlogSpot](#).

New tool to help you manage resources

A new piece of guidance, aimed at helping trustees manage their charities' finances is now available on the Commission's website. [Managing charity assets and resources: an overview for trustees \(CC25\)](#) introduces and summarises the legal requirements and good practice recommendations you should bear in mind when making decisions about your charity's resources. It includes concise, clear chapters on a wide range of financial activities, including investing, managing risk, managing staff and volunteers and buying and selling land.

The guidance is intended as a reference tool for trustees to consult whenever necessary – for instance in preparation for or during a board meeting. It will also give trustees an idea of what might be involved if they are considering new activities such as fundraising or holding reserves. It is similar in approach to the Commission's existing introduction to all our guidance [Hallmarks of an Effective Charity \(CC10\)](#). Each chapter signposts the reader to the Commission's full guidance on the relevant topic so that trustees can study the requirements in more detail should they need to.

Be fraud aware!

The Commission is urging charities to be more 'fraud aware', as a [report by the National Fraud Authority](#) suggests charities lose an average 2.4% of their turnover to fraud.

It is vital that charities can reassure the public that the money they donate to charity is used properly and goes to the causes for which it is intended.

As a trustee, you have a responsibility to protect charity funds and property. Making sure you have sound financial management systems in place is a crucial way of doing that. Such systems should play a central role in your charity's culture.

Our website includes guidance on protecting charities from fraud, including a set of top tips for trustees of smaller charities.

As a starting point, you should ensure that:

- your charity's accounting system is appropriate for its type, size and structure
- control of its accounting system is not left completely in the hands of one or two individuals
- it uses one or more suitable bank accounts, requiring at least two signatories and, preferably, with strict levels of expense authorisation
- there are basic, common sense security rules in place, such as keeping cash locked away and not pre-signing blank cheques
- you, as trustees, understand the financial reports and information given to you and, if you don't, ask for an explanation that you can understand

You can read the full list of top tips in the Commission's guidance on [Internal Financial Controls \(CC8\)](#).

Public benefit: A level playing field

Last month we concluded our programme of public benefit assessments with the publication of [reports on the public benefit provided by four sport and recreation charities](#). You may remember that we have already undertaken assessments of a range of different types of charity: care homes, religious charities, independent schools and arts charities (CC News 30). We know that trustees and their advisers have found our previously published assessment reports helpful when planning how to demonstrate their charity's public benefit so we hope that the latest reports will be equally useful to charities working in the sport and recreation sector.

Accompanying the new assessments is *Emerging findings for charity trustees from the Charity Commission's public benefit work: 2009-11*, a report summarising themes from our most recent public benefit assessments of sports and recreation charities and of charities in the arts.

We have also recently opened a public consultation on the advancement of amateur sport as a charitable aim. For years, sporting activities have been used to further a wide variety of charitable aims, for example to advance the physical education of young people or to relieve disability or the effects of old age. Following a change in the law introduced by the Charities Act 2006, advancing amateur sports or games is in itself a charitable aim and we want, with the help of the sector, to explore what that means. We are particularly interested in hearing views on what types of sport or game which involve mental, as opposed to physical, exertion might be capable of being charitable. So please do share your views on these questions with us. The consultation closes on 31 May 2011.

Charities and referendums

We have updated our guidance on charities and elections with a section on what charities may and may not do in relation to referendums. The main principles that trustees need to consider are those that apply to any political activity by charities:

- you must consider whether carrying out political activity in relation to a referendum fits with your charity's purpose
- you must also make sure that your charity maintains its independence and neutrality

Depending on the nature of the referendum question there may be circumstances when it is appropriate for a charity to set out the pros and cons of a 'yes' or 'no' vote. For example, if the outcome of a referendum will have an impact on older people, it would be appropriate for a charity that works with older people to explain the effects of the different outcomes on its beneficiaries. Charities that exist to promote good citizenship might also want to encourage people take part in the process. However, this is different from campaigning for a 'yes' or 'no' vote.

If you wish to campaign for a 'yes' or 'no' vote in a referendum, you should carefully consider our guidance, both *Charities, Elections and Referendums* and *Speaking Out: Guidance on campaigning and political activity by charities (CC9)*.

In exceptional cases you may consider that the outcome of a referendum is likely to directly affect the delivery of your charity's objects. However, where the impact on the work of your charity is uncertain, it will be difficult to justify campaigning for a particular outcome. Ultimately, the key question you should ask is exactly how such activity would be an effective way of promoting the objects of your charity.

Vetting and Barring Update

The government has announced plans to change the Vetting and Barring Scheme. The scheme was set up to prevent unsuitable people from working with children and vulnerable adults and sets out responsibilities for employers and volunteer organisers.

The review is designed to bring the arrangements back to what the government describes as 'common sense levels' and the changes are intended to make the requirements for people who want to work with vulnerable people more proportionate.

As part of the review, the Criminal Records Bureau and Independent Safeguarding Authority will merge to form a new body which will provide the barring and criminal records checking service. The changes will also mean that only those working most closely and regularly with children and vulnerable adults will require checks. In future, people will also be able to transfer their criminal records checks between jobs. These changes are likely to affect charities working with vulnerable people.

However, it is important to note that the new regime will not be in place until next year. Until then you should continue to follow the safeguarding requirements that came into force in October 2009. More information about changes to the Vetting and Barring scheme can be found on the [Criminal Records Bureau](#) website.