

Questions to consider at key stages in the life of a charity

This checklist has been developed following research findings from our regulatory report into **Milestones: Managing key events in the life of a charity (RS6)**. A copy of the full report can be downloaded free of charge from our website at www.charitycommission.gov.uk or ordered in hard copy by calling our contact centre on 0845 300 0218.

Trustees can ask themselves the following questions as a starting point when considering each issue but these should not be regarded as the last word on a particular issue. Relevant Commission publications in which further guidance can be found appear in brackets.

Starting up

- Do we need to establish a new charity or is there another charity already trying to achieve the same aims in the same area? (See **The Register of Charities** on the Charity Commission website at www.charitycommission.gov.uk. See also **The Register of Charities: Information and services available (CC45)**.)
- Do we have to register with the Charity Commission? (With some exceptions, it is a legal requirement for charities with an income over £1,000 per annum to register with the Charity Commission. See **Registering as a Charity (CC21)** and **Exempt Charities (CC23)**.)
- Is there a model governing document that can be adapted for use by the charity? (These may be provided either from the Charity Commission or other large national parent charities. See the Charity Commission website.)
- Have we made sure the governing document contains the provisions that the charity will need as it grows and evolves - including a power of amendment and power of dissolution?
- Have we looked at the governing documents of other similar charities to get an idea of what it is necessary to include?
- Have we considered what will be the most appropriate form for the new charity ie trust, unincorporated association, charitable company? (See **Choosing and Preparing a Governing Document (CC22)**.)
- Do all of the founding trustees understand their role and the governing document? (See **The Essential Trustee: What you need to know (CC3)**.)
- Is there an umbrella organisation to go to for guidance and information?
- Have we made some initial plans and projections? For example, have we thought about:
 - time required to run the charity
 - time required from each trustee
 - complexity of the accountancy involved
 - anticipated expenditure
 - projected income
 - the actions that will be possible if the charity either exceeds or falls short of projections and targets?

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Keeping pace with change

- Do we have a written plan for the charity that covers both the immediate future and longer time periods?
- Do we have a mechanism for reviewing our plan on a regular basis?
- Do we review staff skills, the composition of the board and the suitability of the governing document to existing circumstances and those expected in the future?
- Do we need to restructure our organisation or develop its capacity before increasing income and activity?
- Will a significant increase in income require additional resource management (eg the requirements of a higher SORP threshold)?
- Do we network with other charities and utilise umbrella bodies to find out from others' experience what to expect as we develop?
- Have we sought funding for capacity building and feasibility studies where appropriate?

Funding

- Do we regularly explore new funding sources?
- Does our current funding structure compromise our independence? (See **The Independence of Charities from the State (RR7)** and **Local Authorities and Trustees (OG56)**.)
- What can be done to diversify our income?
- Is our charity's level of reserves properly accounted for and set out in a comprehensive reserves policy so that funders can understand it? (See **Charities' Reserves (CC19)** and **Charity Reserves (RS3)**.)
- Do we need Charity Commission authority to accept funding? (If your funder seeks a charge over your charity's assets in return for a grant, you must contact the Charity Commission for authority.)
- Before we accept deficit funding, can we cover the interim cash flow situation?
- Are the terms of any contract(s) we accept covered in our charity's risk assessment? (See **Charities and Contracts (CC37)** and **Charities and Risk Management** on the Charity Commission website.)
- If we are currently unincorporated, is it necessary to incorporate before accepting a contract?
- Are we clear about what the funder expects to see for their money eg how outcomes will be measured?
- Does our funding application include all the costs we will incur eg administration and core costs?

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- Does our charity have the capacity to deliver the level of complexity that the funded project requires or is there a risk that we may over stretch ourselves?
- Does our charity have enough staff resources to cope with any extra administration both to apply for grants and to manage and monitor the application of funds throughout the period of the grant and beyond?
- Are we applying to funding bodies that make the type and size of grant we need?
- Are we ensuring that our grant applications are in keeping with our objects?
- Are we getting feedback and advice if funding bids are rejected?
- Are our fundraising plans part of a wider business plan?
- Are we familiar with the laws surrounding the specific type of fundraising planned? (See **Charities and Fundraising (CC20)**.)
- Is our fundraising venture cost-effective?
- Have we made provisions for what we will do if we raise more or less funds than necessary for the stated purpose of an appeal? (There are rules about this. See **Disaster Appeals: Attorney General's Guidelines (CC40)**.)
- Have we put in place adequate controls for monitoring and reporting on fundraising activities, especially when they are contracted out? (See **Charities and Commercial Partners (RS2)**.)

Trading

- Are there any restrictions in our governing document prohibiting or restricting our ability to carry out trading activities? (See **Charities and Trading (CC35)**.)
- Have we planned anticipated income and expenditure from our trading subsidiary carefully and realistically?
- Do we need to take advice from the Charity Commission or a professional advisor regarding setting up a trading subsidiary?
- Are we complying with the necessary tax rules associated with charitable and non-charitable trading? (Contact the Inland Revenue for information).
- Are we reviewing our trading activities regularly and do we have contingency plans in place, including winding up the subsidiary if it should prove unsuccessful?

Employment

- Do we have all the necessary policies and procedures in place and are we compliant with all relevant employment legislation?
- Are we familiar with employment legislation, including that which applies to volunteers, and do we need to take professional advice?

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- Will there be any costs involved in complying with employment regulation and legislation eg adapting the workplace to meet health and safety regulations?
- Have we considered how an increase in staff numbers will impact on the management structure and culture of the organisation?
- Do we have a job description and arrangements for induction and support of the person appointed?
- Are roles clearly defined, including lines of management?
- Are we clear about what is to be delegated to employees and what the trustees will remain responsible for? (See **The Essential Trustee: What you need to know (CC3)**.)
- Have we considered all the 'domestics' of employment including workstations, additional cost such as telephone calls, electricity etc?
- Have we factored in costs such as National Insurance and pension arrangements to our longer-term plans?
- Have we considered outsourcing as an alternative to employment?

Property

- Does our governing document include a power to dispose of or purchase land or property, where required? (Charity Commission authority is not usually necessary except in circumstances relating to Permanent endowment. See **Acquiring Land (CC33)** and **Disposing of Charity Land (CC28)**.)
- Have we planned the transaction carefully, taking full account of relevant legislation?
- Have we complied fully with Section 36 of the Charities Act 1993 before commencing a sale, including seeking appropriate professional advice, ensuring that the full market price is sought, and giving due public notice of the sale where necessary? (Charity Commission authority is required if S36 of the Act cannot be complied with.)
- Is the proposition financially viable in both the short and long term?
- Does the purchase represent effective use of charitable funds?
- Does the charity have enough resources to manage an investment in land?
- Are the potential land/ buildings to be purchased subject to planning or legal use restrictions?
- In whose name(s) will the new property be held? (This will depend on whether your charity is a company or whether your trustee body is incorporated or there are individuals as holding trustees.)
- Have we informed all interested stakeholders of our intentions to buy/sell and considered the impact of our decision on the profile of the charity?

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Winding up

- Do we give regular consideration to the continued need for our charity to operate and to its ability to do so?
- Is it necessary, or would it be more effective, to work collaboratively or merge with another organisation? (See **Collaborative Working and Mergers (RS4)**.)
- Would it be appropriate to utilise the power of amendment in the governing document and re-focus the charity to a more relevant need? (Charity Commission authority will be necessary in this case. See **Amending Charities' Governing Documents: Orders and Schemes (CC36)** and **Small Charities: Transfer of Property, Alteration of Trusts, Expenditure of Capital (CC44)**.)
- Do we have a power of dissolution in our governing document and does it provide details of how remaining assets should be applied? (Where there is no power of dissolution, trustees may need to contact the Charity Commission for advice.)
- Have we taken stock of the charity's assets and liabilities and considered issues such as staff notice and redundancy payments? (See **Managing Financial Difficulties and Insolvency in Charities (CC12)** and **Internal Financial Controls for Charities (CC8)**.)
- Have we put mechanisms in place to ensure that any future legacies that may be received are still applied to those beneficiaries for whom the money was intended?