

Charity Begins at Home

The old saying 'Charity begins at home' is certainly upheld by many so it is important for charities to be continually looking for ways to persuade the public to make donations to them. They should also ensure that they are well-run and are taking steps to minimise risk. Our bulletin considers some of the recent guidelines the Charity Commission has announced to help protect the reputation of the genuine charity and maximise the value of donations received.

The 'Safer Giving' Campaign

Charity fraud is rare, but sadly there are those who prey on the public's generosity, and use charities as an opportunity to line their own pockets, collecting for themselves rather than good causes.

In response to these concerns the Charity Commission recently launched a 'Safer Giving' campaign aiming to give the public greater confidence in the integrity of charities and to protect the reputation of genuine charities.

Although the Charity Commission does take robust steps to deal with dubious charity fund-raisers when they become aware of them, this campaign ensures that the public are made aware of the questions they should be asking collectors to help prevent money going astray in the first place.

The Charity Commission has produced an awareness poster for the campaign to help get the 'Safer Giving' message across to as many people as possible. The public are being encouraged to:

- check that the collecting organisation is a registered charity, and that the charity's registration number is shown on literature and collecting tins. If in doubt, they are advised to call the Charity Commission 'Register of Charities' to check
- ask if the collector represents the charity itself or is from a separate fund-raising organisation. If the latter, they should ask what proportion of the donation will actually reach the charity. The public are then in a position to make a judgement about whether they wish to make a donation
- looking to see if the collecting box or bucket is sealed and that it bears the charity's name
- checking that the collector has an official badge. Collectors must

display identity permits. Members of the public should not be shy about inspecting them before parting with their money

- make cheques payable only to the charity itself.

If your charity plans to make collections it may be useful for you to inform collectors of the specific areas on which the public should be clear. They should then be in a position to respond to any questions that might arise, which should maintain confidence in your charity. The Commission also strongly recommends that all collectors should:

- be able to produce a valid local authority or police licence
- wear an ID badge (donors should look out for any ID that looks altered, photocopied or home-made)
- have a sealed collection container with the charity's registration number and name on. The details should match those on their ID badge. Collectors should also be able to tell donors how to contact the charity direct
- be able to prove that they have the charity's permission to collect. Collectors from professional fund-raising companies must, by law, declare how much of the donation they will be paid, and they should be able to produce a copy of a written agreement with the charity. Thank you letters and receipts from charities don't count as permission to collect!

As far as the public are concerned, honest and genuine collectors will be pleased to answer these questions, while bogus collectors will be deterred under such questioning.

Tax Efficient Giving

Recent changes have introduced several incentives to encourage corporate and individual donations. You should ensure that your charity is making the most of these tax efficient means of giving.

- **Gifts of land and buildings**

Since April 2002 tax relief has been available on gifts of freehold or leasehold property to charities.

- **Self-Assessment tax returns**

From April 2003 higher rate taxpayers are able to obtain tax relief for their Gift Aid donations by carrying them back to the previous year.

- **Gift Aid**

Charities were generally quick to take advantage of the revised rules with Gift Aid forms being much in evidence - although some have come unstuck by using the wrong wording. Charities should ensure that they are looking to increase their income by 28% by converting donors to Gift Aid in the correct way.

Gift Aid declarations:

- can be made in writing, on the telephone or over the internet, and
- must contain the name and address of the donor, the name of the charity and a statement that the donor pays sufficient income or capital gains tax to cover the tax reclaimed by the charity.

Charities should ensure that donors specify 'income tax' or 'capital gains tax'. A declaration stating that the donor pays 'tax' will not suffice.

continued overleaf

'Safer Giving' awareness poster
If you would like to display a copy, download it from the Charity Commission website - www.charity-commission.gov.uk

Tax Changes

The following general tax changes are likely to affect many charities and may require some amendment to expenditure budgets.

● Employers' National Insurance

Employers' contribution rates increased from 11.8% to 12.8% in April 2003. This may cause a significant increase in the core costs of a charity.

● Corporate tax rates

Companies are now likely to be eligible for a £10,000 0% rate band when calculating their corporation tax. This may be of advantage to charities' trading subsidiaries. They will be able to retain an element of their profits by reducing their Gift Aid payment. The subsidiary will then be able to eliminate any deficit on reserves and retain some funds for future growth purposes.

● National Minimum Wage

The National Minimum Wage (NMW) regulations have recently been amended. Employers must be able to demonstrate that they are paying the NMW and detailed records must be kept. Generally all full-time and part-time employees are covered by the rules.

For workers aged 22 and over the NMW will increase to £4.50 from October 2003, from its current £4.20. For 18-21 year olds the minimum will rise to £3.80, from its current £3.60.

The Charity Bank

The Charity Bank was launched towards the end of 2002. As a 'not for profit' organisation, how can it help the charity sector?

- Individuals, businesses, companies and even charities themselves are encouraged to deposit funds in the Charity Bank. This allows the bank to provide loans or guarantees to UK charities. Every pound deposited with the Charity Bank is available for on-lending.
- The bank will provide investors with a financial return that can be withdrawn, reinvested, donated to a charity of their choice or a mix of these options.
- Without adequate resources, good charity ideas often go untested and solutions are delayed. By investing in

dynamic organisations and people with vision, the Charity Bank aims to grow the grass roots of charitable funding.

If you would like to find out more about the Charity Bank, visit www.charitybank.org

Risk Management

New Charity Commission guidelines require charity trustees to implement procedures to identify the major risks to which their charity is exposed and to establish systems to mitigate those risks. In fact this is a task that every well-run organisation should undertake. It gives added focus to the responsibilities of trustees. Those who have undertaken this review end up with a much better understanding of the charity under their control.

The risk assessment procedure is mandatory for all charities with income exceeding £250,000 and a statement confirming compliance must be included in the trustees' annual report. For smaller charities the risk assessment is recommended as good practice.

Charities face some level of risk in most things that they do. Trustees need to identify the major risks to which the charity is exposed within the following categories:

- governance risks - for example, inappropriate organisational structure, difficulties recruiting trustees with relevant skills
- operational risks - for example, employment issues, health and safety issues, fraud and misappropriation
- financial risks - for example, adequacy of reserves and cash flow, investment management
- external risks - for example, public perception and adverse publicity
- compliance with law and regulations - for example, breach of trust or employment law.

The reviews must be properly documented and will be ongoing with trustees having to update the assessment on an annual basis. Rather than reviewing all five areas in an annual risk assessment, trustees could consider taking one of the five elements in turn at trustees' meetings. Risk assessment would then be reviewed continually.

Risks can be measured by various means but it is best to choose a simple method. This could be a scoring system which

combines the likelihood of the risk arising and the impact it might have.

Risks can be ranked to determine which need to be addressed before others and an action plan developed.

The Hallmarks of a well-run Charity

The Charity Commission expects every charity to aspire to high standards which it has encompassed in 'Hallmarks of a well-run charity'. These hallmarks should ensure that charities:

- are formally set up with clearly documented aims and rules including the legal powers they need to achieve their aims
- are run by a clearly identifiable body of people who take responsibility and ensure that the charity is economically and effectively run
- are able to show how their activities are, or will be, able to support their charitable aims
- are open in the conduct of their affairs, except where there is a need to respect confidentiality
- carry out their aims with regard to the requirements of those they are designed to serve, the community within which they operate and any relevant wishes of their donors
- conduct their external relations, fund-raising and publicity in a way that enhances their own reputation and that of charities generally
- manage and account for their resources well
- comply with all relevant legal and regulatory requirements
- act with respect to the legal and human rights of the individual.

Well-run charities should achieve high standards and attract public confidence and support. Hopefully these recent developments will assist the genuine charity in meeting these aims.

If you would like to discuss any of the issues raised in this bulletin in more detail please do not hesitate to contact us.

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