

This is a regular newsletter designed specifically for charities. The newsletter includes subjects of a topical nature which will hopefully be of interest to all involved in charities.

FINDING NEW TRUSTEES

An important factor in a well run and successful charity is the quality of its board of Trustees. The Charity Commission has recently issued guidance "CC30 Finding new trustees: what charities need to know". The areas to be considered here can be divided into how to recruit, select, appoint and induct trustees. The guidance comments on each of these areas:

Recruitment

- A charity may identify the need for a new Trustee after Trustee resignations or where specific skills are needed to help the charity run more effectively.
- The Trustees should agree what skills, experience and knowledge are needed and also how they will find potential suitable Trustees. The guidance states the benefits of having a diverse board of trustees.
- To find new Trustees, the existing Trustees may already know suitable candidates, may advertise in the press or use a Trustee brokerage service.

Selection

- When potentially suitable persons are identified, a shortlist could be drawn up and interviews should be undertaken.
- Having identified suitable persons, references could be taken and the persons should be vetted.
- Vetting is an important process. The Trustees should check whether candidates have been disqualified from acting as a Trustee and candidates should be asked to confirm in writing whether they have been disqualified and also to declare any conflicts of interest.

- If the charity works with children or vulnerable adults, the Trustees should seek checks from the Criminal Records Bureau.

Appointment

- New Trustees should be appointed in a proper and legal way with reference to the charity's governing document. This may state a minimum or maximum number of Trustees, how long they can stay in office or restrict who is able to act as a Trustee.

Induction

- The Chair of the charity should write to new Trustees, setting out their duties and the charity's expectations of them.
- New Trustees should be sent an information pack and have a discussion with existing Trustees. New Trustees should be made aware of their legal responsibilities.

The above process is designed so that suitable Trustees are appointed and are able to do a good job. The procedures a charity uses for recruitment, selection, appointment and induction of new Trustees should be disclosed in the Trustees Report of the charity's annual accounts.

THE GIFT AID SMALL DONATIONS SCHEME

This scheme will come into force in April 2013. Charities will be able to claim gift aid style relief on donations of up to £20 each (up to a maximum of £5,000 per year) without the need to record donors' details or for donors to provide a Gift Aid declaration.

This will be useful for cash collections and those with small amounts to claim. Claimants will need to be careful with the proposed 'matching rules' where the maximum amount which can be claimed is linked to the amount of gift aid claimed.

CHARITABLE INCORPORATED ORGANISATION (CIO)

The Charities Act 2011 contains the legal structure for a CIO. The CIO is a new legal structure designed specifically and only for charities. This new legal form has now been fully enabled by Parliament. There will be a phased introduction. For example:

- Only new charities with expected annual income of over £5,000 will be able to set up as a CIO, at the start (January 2013).
- From March 2013, existing unincorporated charities with annual income over £250,000 will be able to set up a CIO and transfer assets into it.
- Incorporated charities will not be able to convert into a CIO until 2014, although exact timings are not known yet.

In addition to only having one regulator (charitable companies have two), two benefits of a CIO are:

- Trustees have protection from financial liabilities which is not usually the case for unincorporated charities.
- The CIO will have a legal personality enabling it to conduct business in its own name. For charities which are not companies this is not the case and business has to be in the name of the Trustees.

RESERVES POLICY

The Charity Commission have recently conducted research on charity reserves. This found that a significant proportion of charities do not disclose their reserves policy properly. 'Reserves' are that part of a charity's unrestricted funds which are freely available to spend. Key points in the Charity Commission guidance are stated to be:

- Income received by a charity should be spent within a reasonable period of receipt. Trustees should be able to justify holding income as reserves.
- Where the trustees have a policy on reserves, this must be stated in the Trustees' Report in the accounts. If there is no policy this should be stated.
- A charity's accounts should state the level of reserves held and an explanation of why they are held. A good reserves policy will therefore give confidence to users of the accounts that the charity's funds are well managed and indicate the need for future funding.
- The reserves policy should also be reviewed regularly.

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