



# What Will I Need ?

## The Scope of These Guidance Leaflets

This leaflet introduces a series of Guidance Leaflets which give a quick overview of the various things that you will need to take into account in setting up a new small charity. It is written for the typical volunteer (*ie*: “amateur”) Trustees of the ca.80% of “small” charities (*ie*: incomes less than £100K) which do not employ a professional management team

**So this leaflet, like all the others available from Small Charity Support, is NOT presented as a full and comprehensive professional opinion/advice on Charity Law and all the associated regulations.** Rather it is just a personal commentary on charity issues, and how to deal with them, from the perspective of the proverbial “[Person on the Clapham Omnibus](#)”.



Please read the Disclaimer on the last page of this leaflet.



So if you are expecting your charity’s annual income to be more than £250,000/yr, or to own property, or to employ more than the equivalent of 3 full-time staff then you should seek appropriate professional guidance elsewhere. *eg*: The Small Charity Support Resources webpage:

<http://www.smallcharitysupport.uk/index.php/other-resources>

The topics covered in this series are listed below. Some will be found on the “Starting a Small Charity” page on the website. And some will be found on other pages, as indicated:

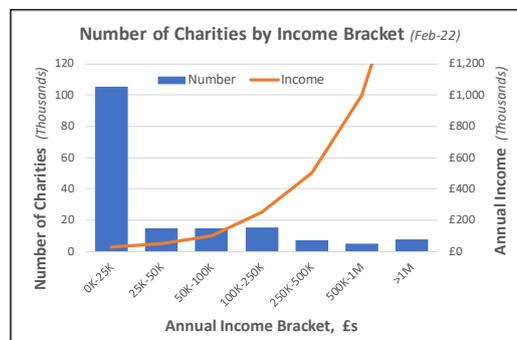
- 1 Outputs & Outcomes
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(see the “Trustees’ Responsibilities” webpage)
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(see the “[Programme Planning](#)” web-page)
- 9: Policies & Procedures  
(see the “[Example Policies](#)” web-page)
- 10: Registering with the Charity Commission

# Introduction

## What is a “Small” Charity?

This is a very subjective question to which there is no universally agreed answer. But in nearly all contexts the primary criterion for describing a charity as “small” is its annual turnover (*ie*: the amount of money it receives and spends each year).

According to the Charity Commission’s current (Feb-22) Register of charities, the vast majority (almost 80%) of all charities in the UK have an annual income of less than £100,000 – as shown in the illustration on the right. And that number does NOT include those very small unincorporated (association) charities with an annual income less than £5000 which are not eligible to register as a charity with the Charity Commission.



With some of the UK’s biggest charities having annual turnovers of hundreds of millions of pounds, “small” is often used to refer to the >96% of charities having an annual turnover of less than £1,000,000. That’s like describing the majority of the population of the UK as being “small” (*ie*: “short”) because they are less than 6<sup>ft</sup> tall.

The problem is not just that it is rather disparaging of the majority of charities.

It promotes a “one size fits all” ethos in which the rules, regulations & procedures for the charity sector are designed for those charities which are seen as “normal” (*ie*: the minority with incomes >£1M).

Which is why so many actually “normal” trustees – the volunteers running their “small” charity in their spare time – struggle to cope with rules, regulations & procedures which are inappropriate for their circumstances.

<https://www.smallcharitysupport.uk/index.php/charity-thoughts/12-about-small-charity-support/23-how-small-is-small>



## Small is Beautiful

So this series of guidance leaflets – inspired by the iconic book “*Small is Beautiful – Economics as if people mattered*” is written for those who are looking to set up a small volunteer-led charity to join the vast majority where the annual turnover is expected to be below £250,000/year.

This overview and accompanying leaflets might, at first sight, seem rather technical and daunting. But it isn’t really – most of it is just the sort of common sense that you’d be using anyway.

The purpose of the list – which just summarises the topics covered in more depth by the various leaflets in this series – is to clarify some common misunderstandings and to give you the comfort of being able to tick things off as you get them done as one way of ensuring that you haven’t overlooked anything important.

Use the hyperlinks in the sector titles below, or go the “[Starting a Small Charity](#)” page on the Small Charity Support website, to download the individual PDF leaflets giving lots more information on each of the topics below



# 1. Outputs and Outcomes



## **Outputs:**

are what the charity is going to do;



## **Outcomes:**

are what difference it will make (*ie*: how the public will be better off as a result of the charity's activities);

The Charity Commission will expect you to make a clear distinction between the intended outputs of your charity and its intended outcomes. And in deciding whether to register your proposed charity the Charity Commission will pay much more attention to what you have written for your outcomes than for your outputs.

# 2. Charitable Purposes/Objects



Every charity must have its charitable purposes (which may also be called "charitable objects") which are the legal description of what the charity is all about.

These are essentially just a short summary of the charity's Outputs & Outcomes (as in 0, above), using words and phrases which conform to the specific requirements of the Charities Act.

But because they have to use legal jargon in order to comply with the requirements of the Charities Act, they can sometimes seem a bit obscure and difficult to understand to the ordinary "man/woman in the street".

Experience shows that, when submitting a charity for registration the Charity Commission assessors look very closely at the proposed legal description of the charity's purposes/objects to ensure that they comply fully with the Charities Act and, in particular, meets the requirements that:

(a) they describe one (or more) of the charitable objects/purposes defined by the Charities Act (and nothing more which is not defined as charitable);

(b) they are exclusively for the public benefit (*ie*: are not being set up to provide private benefits to individuals – *eg*: an employment opportunity for the founder (whether or not the founder will be one of the trustees).

# 3. Governing Document



The rules by which the charity will be run (*ie*: how it will comply with the Charities Act).

A charity's governing document can be in one of several different forms,

*eg*: A Constitution; Memorandum & Articles of Association; or just simply "The Rules"

This leaflet gives you more information about the different kinds of governing documents and how to choose the one which will be best for you.

# 4. Trustees/Directors & Officers



You will have to identify and appoint Trustees for your charity.

The Trustees are the people who have the ultimate responsibility for the running of the charity – in particular, for making sure that it keeps to its charitable objects (as in 2, above) in compliance with the Charities Act and doesn't run out of money.

Different charities have different names for those who run the charity, *eg*: Committee, Directors, Managers. But under the Charities Act, anyone who effectively runs the charity – *ie*: has a vote in all the major decisions – is a "Trustee", whether or not they are called "a Trustee".

The Charities Act requires that, with few exceptions, charity Trustees are unpaid volunteers. So where a charity wants to have paid staff to manage the day-to-day operations of the charity those

employees cannot also be Trustees. Employees, however senior/well-paid, only act on delegated responsibility on behalf of the Trustees, and it is ALWAYS the Trustees, NOT employees, who have the final say/responsibility for the way that the charity is run.

This means that the Board of Trustees of a charity functions quite differently from the Board of Directors of a company, even where the charity is also a limited company and the Trustees of the charity for the purposes of charity law are also the Directors of the company for the purposes of company law. This significant difference between the roles & responsibilities of charity Trustees and those of company Directors is often not properly recognised by the Trustees of small charities, and therefore leads to misunderstandings and confusion, particularly in relation to the roles and responsibilities of the charity's officers, *eg*: Chair & Treasurer. It can also lead to misunderstandings and confrontations between the Trustees and their charity's Operations Manager or Chief Executive Officer, if they have appointed one.

There are 4 companion leaflets in this group:

1. the general roles and responsibilities of ALL Trustees, and covers some common areas of confusion like the roles/responsibilities of "honorary" Trustees (*eg*: President, Patrons, Emeritus Members) and the differences between the roles and responsibilities of Trustees & Members;
2. the specific roles and responsibilities of the Chair;
3. the specific roles and responsibilities of the Treasurer;
4. the vexed issues of what payments can, and can't, be made to Trustees (and to persons who are connected to one or more Trustees) in different circumstances.

## 5. [A "Minute Book"](#)

Something in which you can keep a record of:

- all the Trustees' meetings;
- all the General Meetings of the charity;
- the people who attended those meetings;
- all the key discussions that took place and decisions taken and, most importantly, the justifications for taking those decisions.

## 6. [A Bank Account](#)

You **MUST** be able to manage your charity's accounts separately from your personal money.

Many high-street banks offer low-cost (usually free, provided that your annual turnover is "small") accounts for charities and voluntary organisations. And there are some specialist banks which provide accounts only for registered charities.

## 7. [A Way of Recording & Managing Your Funds](#)

As you will be collecting and spending money given by others specifically for the purposes of your charity you will be expected to keep clear records of where the money comes from and how it has been spent.



**We can't all be "financial wizards"**

**And the Trustees of small charities don't need to be.**

Managing the accounts of a small charity doesn't have to be any more difficult or complicated than managing your own personal finances.

There's a whole page on the Small Charity Support website – [Managing the Money Made Easy](#) – showing you how ordinary "amateur" (*ie*: non-financial-professional) trustees can simply manage their charity's accounts in accordance with Charity Commission guidance and without having to fall into the hands of expensive accountants.

Many small charities in their early years of operation just use a simple spreadsheet which they have created themselves. The Small Charity Support website page includes a free downloadable MS-Excel® spreadsheet (complete with instructions booklet) to help you manage your accounts yourself.

But if you still want to work with commercial software there is any number of commercial accountancy/book-keeping software packages for “small” organisations. Although many of them say that they can also be used by charities, most are designed around the financial requirements of small business and can be quite difficult to adapt to charity book-keeping.

There is also a small number of commercial accountancy software packages written specifically for charities (to find them just search the internet for “charity accounts software”).

## 8. a: A Programme/Business Plan

A Programme/Business Plan isn't something just for big, profit-making commercial organisations.

Even the smallest charity or voluntary organisation can benefit from a Programme/Business Plan.

It doesn't have to be big, glossy and grandiose. Just a few sides of A4 might be sufficient.

The Programme/Business Plan should include a Risk Management Plan (*see next section*).

There's an old – but still very true – adage:

**Organisations don't plan to fail:  
they simply fail to plan.**



## b: **A Risk Management Plan (Part of the Business Plan)**

*{This leaflet is still in preparation – Not yet available}*

The Charity Commission will expect you to demonstrate that you have given proper thought to the risks that your charity will (or might) face and how you propose to deal with them.

Risks come in a wide variety of “shapes and sizes”. A charity involved in outdoor adventure activities might face physical risks to the participants in its activities. A charity involved with vulnerable children or adults might face not only risks to those children or adults but risks to staff or volunteers who are subject to allegations made against them. And most charities face financial risks, *eg*: if their source of support or funding ceases.

## 9. Policies & Procedures

As charities vary enormously, so too does the range and content of the policies and procedures that they should have in place.

Some will be very specific to particular charities – *eg*:

a “Safeguarding Policies & Procedures” document for charities working with vulnerable children and/or adults, or

an “Outdoor Safety Policy” for charities which provide adventure activities.

Others, *eg*: a “Conflicts of Interest Policy”, will be common to most charities.

So anyone who tells you that they can provide you with a set of “off the shelf” policies (presumably to just put on your shelf) is misleading you. The Small Charity Support website does have a page of example policies to give an idea of what might be appropriate and get you started. If we're lucky a few might be pretty close to what you need. But most will need some adaptation and some will (for your charity, at least) be suitable only for the waste-bin.

## 10. Registration with the Charity Commission □

Once you've put together all the things in items 1-9 above you should have just about everything that you need to register your charity with the Charity Commission.

To register you have to complete the on-line application form – there is no longer any mechanism for registering in paper format. You'll find the on-line application form, along with information about how to complete the application, on the Charity Commission's website:

<https://apps.charitycommission.gov.uk/outreach/RegistrationLanding.ofm/>

Even if you decide not to register with the Charity Commission straight away (*eg*: you don't need "incorporated" status (see item 0 above and your annual turnover is less than £5000), it's a good idea to make sure that your charity is consistent with the guidelines. That can help to avoid unnecessary future difficulties when/if you decide to go on to register as a charity in the future (*eg*: when/if your annual income starts to exceed £5000, thereby making it a legal obligation to register). It can also avoid difficulties should the charity be accused of not being a "proper" charity (*eg*: raising money "under false pretences").

## 11. Gift Aid Registration with HMRC □

*{This leaflet is still in preparation – Not yet available}*

If you are intending to collect voluntary donations for your charity and want to claim the Gift Aid on them you will have to register separately with HM Revenue & Customs, even if you have registered your charity with the Charity Commission.

Unincorporated charities below the £5000 threshold for registration with the Charity Commission **CAN STILL REGISTER FOR GIFT AID** with HMRC.

You can do that by completing HMRC's on-line registration form at:

<https://online.hmrc.gov.uk/registration/>



While it is Small Charity Support's intention to provide you with the best possible support and information as we are able, it is important that you read and give due consideration to the following notices.



**The information contained in this leaflet is provided in summary form and is made available for general information purposes only. It has not been prepared with your specific needs in mind and is not advice of any kind (whether legal, financial, or otherwise).**

Please take the time to check the information in this leaflet is suited to your specific circumstances and if you are making any important decisions, such as on financial, legal or tax matters, you should consult a qualified professional adviser who can provide specific advice based on your position.

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