



## Introduction and Overview

This leaflet summarises the contents of Small Charity Support's series of leaflets which provide more detailed guidance on how to cope with the various things that you will need to take into account in setting up a new small charity. Its purpose is to make it easier for you to find your way to what you are looking for amongst what is now an extensive (more than 40) range of guidance leaflets.

All the leaflets can all be found as free downloads via the Small Charity Support website:

<http://www.smallcharitysupport.uk/index.php/start-a-charity>

**But note, NONE of the leaflets available from Small Charity Support are presented as full and comprehensive professional opinions/advice on Charity Law and all the associated regulations.**

Rather they are just personal commentaries on charity governance issues, and how to deal with them, from the perspective of the proverbial "[Person on the Clapham Omnibus](#)".

They are written for the typical volunteer ("amateur") trustees of the vast majority (more than 75%) of small charities (eg: annual income less than £250,000) who are intending to run their charity themselves (ie: without having to employ a professional management team to do it for them).

Although originally written for people wanting to set up a new charity, many of the guidance leaflets (indicated by ) will also be of use to the Trustees of established charities.

The topics covered by the various leaflets are:

- Introduction & Overview *{What you will need to set up a small charity, and how to go about it}*
- Outputs & Outcomes  *{What your charity will do and what difference it will make}*
- Charitable Purposes/Objects *{What makes your charity legally a charity}*
- Governing Document *{How your charity will operate in compliance with the Charities Act}*
- The Role & Responsibilities of Trustees
  - a) The Roles & Responsibilities of **ALL** Trustees 
  - b) Typical Roles & Responsibilities of the Chair 
  - c) Typical Roles & Responsibilities of the Treasurer 
  - d) Making Payments to Trustees 
- A "Minute Book"  *{Keeping a record of the charity's activities and key decisions}*
- Recording & Managing Your Charity's Funds 

*{The following leaflets can be found on the "[Simple Accounts for 'Amateur' Trustees](#)" linked web-page}*

  - a) A Bank Account
  - b) What Accounts ALL Charities MUST Keep 
  - c) Budgets & Cash Flows 
  - d) Financial Controls Checklist 
  - e) A Simple Accounts Spreadsheet (with instructions) 
  - f) Preparing the Trustees' Annual Report & Accounts 
- Programme/Business Planning & Risk Management  *{[On a linked web-page](#)}*
- Example Policies & Procedures
 

*{18 downloadable/editable examples can be found on the "[Example Policies](#)" linked web-page}*
- Registering with the Charity Commission
- Registering with HM Revenue & Customs for Gift Aid *{Currently in preparation}*

**This leaflet was last updated on: 06-Apr-19**

# Starting a Small Charity: Introduction And Overview

## The “Small Print”

***Sorry to have to start off with this, but we wanted to be up-front to avoid any misunderstandings.***

This series of leaflets is **NOT** a definitive legal guide to charity law and every aspect of setting up and running a small charity. We have, of course, tried to be as accurate as possible and to cover all the key questions and issues that have cropped up. But these guidance notes must not be relied upon as a definitive statement of all that the law says you must, and must not, do when starting up a small charity. If still in doubt you should seek appropriate professional legal or financial advice, particularly if you want to do something a bit “out of the ordinary”.

When seeking professional (*ie*: paid for) advice, it is important to check and get confirmation that the advisor really does have relevant knowledge and expertise in charity law & finance (which, in places, is very different to company law & finance).

**So make sure that their Letter of Engagement sets out their relevant charity expertise.**

**Even better: ask for testimonials from other charities that they have advised in the past.**

## What is a “Small” Charity?

There is no universally agreed answer to this question.

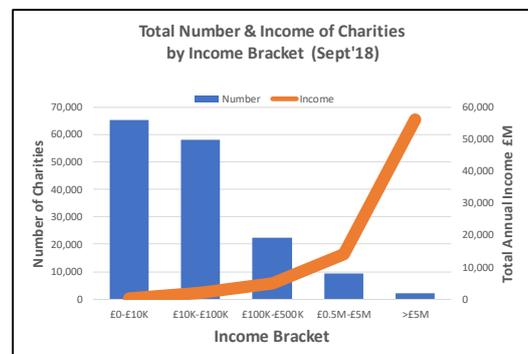
But in nearly all contexts the primary criterion for describing a charity as “small” is its annual turnover (*ie*: the amount of money it receives and spends each year).

Most of the guidance material available on setting up and subsequently running a charity is written on the presumption that charities will have large enough annual turnovers to be able to afford to employ a team of paid (sometimes quite highly paid) management, legal and financial professionals.

What that means in practice is that such guidance materials are written to meet the needs of the minority (less than 20%) of charities with incomes **over** £250,000.

The reality is that the vast majority (>75%) of all charities in the UK have an annual income of less than £100,000. That is illustrated in the chart on the right, based on the most recent government statistics:

<https://www.gov.uk/government/publications/charity-register-statistics/recent-charity-register-statistics-charity-commission>



## Charity Commission Guidance on Starting a Charity

The Charity Commission has recently (September 2018) issued new guidance on how to set up a charity. You can find it at: <https://www.gov.uk/set-up-a-charity>

The steps it outlines are:

- 1: Check if setting up a charity is right for you.  
Check you're eligible
- 2: Find trustees
- 3: Find out how to choose a charity structure  
Choose a name for your charity  
Decide and write your charity's purposes

- 4: Create a governing document
- 5: Make sure you meet the 'public benefit requirement'
- 6: Register your charity

Everyone thinking about starting a charity – small as well as large – should certainly take the time to look at the Charity Commission’s guidance. Some of it is relevant regardless of the size of the charity being set up. In particular, checking if setting up a charity is right for you, and making sure that you choose the right structure.

But what will also be apparent is that the guidance (like most other) is written on the presumption that it is referring to setting up charities which will have paid (*ie*: professionally qualified) management and finance staff pretty much from the outset.

In other words, the guidance is written on the presumption that the charity being set up will immediately fall within that small minority (<25%) having an annual turnover in excess of £100,000 (and probably £200,000) from the outset.

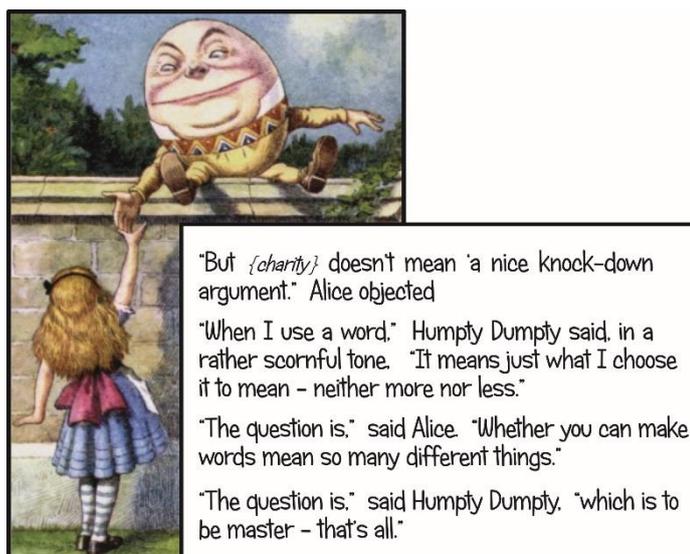
## “Small is Beautiful”

If you are thinking about starting a charity big enough to need, from the outset, a paid management team with professional managers, accountants, human resources, IT experts and the like then these Small Charity Support guidance leaflets are probably NOT for you.

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

They are written for the “typical amateur” trustees of small charities where the majority of the work of the charity is done by the trustees themselves as the proverbial “head cooks and bottle washers” (with perhaps some assistance from some part-time admin-assistants).

As such, they try to avoid unnecessary use of legal and financial “Humpty Dumpty” jargon and focus on “plain English” which “ordinary intelligent” people can understand and implement.



With apologies (and thanks) to Lewis Carroll

# Starting a Small Charity: What Will I Need ?

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.

Go to the individual downloadable PDF leaflets on the Small Charity Support website <http://www.smallcharitysupport.uk/index.php/start-a-charity> for a lot more information on each of the topics below outlined below.

## 1. Outputs and Outcomes



### Outputs:

are the activities the charity is going to do;

### Outcomes:

are the difference those outputs 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 more attention to what you have written for your outcomes for the public benefit than for your outputs for individual beneficiaries.

## 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 1, 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.

There are 4 companion leaflets in this group dealing with:

- the Roles & Responsibilities of **ALL** Trustees  
*{This also 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;}*
- typical Roles & Responsibilities of the Chair;
- typical Roles & Responsibilities of the Treasurer;
- 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.



That's finished the AOB.  
There'll now be a short meeting in the car park to agree what, if anything, was actually decided at this meeting.

## 6. 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.**

There's a whole page on the Small Charity Support website:

**Simple Accounts for "Amateur" Trustees**

<http://www.smallcharitysupport.uk/index.php/simple-accounts>

showing you how ordinary "amateur" trustees (*ie*: who are not financial-professionals) can manage their charity's accounts in accordance with Charity Commission guidance simply AND without having to buy expensive software or fall into the hands of expensive accountants.

The leaflets in this series are:

- a) What Accounts ALL Small Charities MUST Keep
- b) The Role of the Charity Treasurer (and assistants) *{Also on the "Starting a Charity" web-page}*
- c) Recording & Managing Your Charity's Funds
- d) Budgets & Cash Flows
- e) Financial Controls CheckList
- f) A Bank Account  
*{Originally written for new charities being set up, this leaflet may also be useful to existing charities wanting to review their banking services.}*
- g) Preparing the Trustees' Annual Report & Accounts *{See note 11 below}*

### Simple Accounts Spreadsheet

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.

The spreadsheet is "open source" (*ie*: none of the coding/formulae are hidden or protected). So you can either use the spreadsheet "as is", or use the ideas in it as examples to help you develop your own in-house spreadsheet.

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").

## 7. 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.

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

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



How about we don't change anything at all ... and hope that something magical just happens?

## **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.

## **8. 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 needed by most charities.

But there is no “one size fits all” – anyone offering “ready-made” policies for you to just put your charity’s name on is being “a bit over-optimistic”!

On the other hand, there’s nothing worse than staring at a blank sheet of paper wondering where to start.



So the example policies provided by Small Charity Support claim to do no more than to offer you “a starter for 10”. In some cases you will be lucky and an example policy will pretty much suit your needs and require only minor modification. In other cases an example policy will be quite inappropriate and you will need to find something more relevant elsewhere.

## **9. 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 a lot of detailed information about how to complete the application, on the Charity Commission’s website:

But even if you decide not to register with the Charity Commission (*eg*: you don’t need “incorporated” status (see item 1 above) and your annual turnover is less than £5000) being consistent with the guidelines can avoid unnecessary future difficulties.

There are 2 companion leaflets in this group.

- Leaflet 10a is simply a list of all the questions that you will have to answer in completing the on-line registration form. Although it is possible to page through the on-line form and save incomplete (or inaccurate) responses to return and complete/correct them later, that is not always intuitive. So for those who complete the application form on a regular basis, the form is relatively straightforward. But for those setting up a charity for the first time it can be frustratingly bewildering.

In particular, if you go through the form “blind” (*ie*: responding to questions as they appear, without being able to see what the subsequent questions are) it is very easy to be answering early questions in a ways that are best left to subsequent questions, so you have to go back and make significant changes to your earlier answers. The idea of this leaflet is to allow you to look through ALL the questions in advance so that you can:

- (a) see where the responses to some questions duplicate or overlap the responses to others;
- (b) better prepare your answers and put the most appropriate responses in the right place.

You might find it easier to prepare your answers off-line – *eg*: in something like MS-Word® – so that you can cut-&-paste them into the on-line form once you are happy with them.

Note also that the current on-line application form is very interactive, so that the specific questions that you will be asked will depend on how you have answered previous questions. This makes for a considerable number of possible combinations of questions – so you are very unlikely to be asked all of them. Leaflet 10a has tried to list all the possible questions that are asked. Those questions which only appear if you have answered an earlier question in a particular way are identified in the leaflet. But, because there are so many possible combinations of questions, it is difficult to test each combination individual. So don't be surprised or worried in you find that a particular question listed in the leaflet unexpectedly appears (or does not appear) when you go through the on-line application.

- Leaflet 10b provides some detailed comments on what kind of information/response the Charity Commission is looking for and suggestions of how to respond to questions and the best place to put the various bits of information about what your charity is going to be doing, and why.

## 10. 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/>

## And once your charity is registered.....

## 11. Preparing the Trustees' Annual Report & Accounts

It is not always realised by the Trustees of unincorporated charities which are below the threshold (£25,000) at which they are required to submit their Trustees' Annual Report & Accounts to the Charity Commission automatically (*ie*: without being specifically asked to do so) **MUST STILL** produce a Trustees' Annual Report & Accounts and have it ready to produce to the Charity Commission on demand, and to anyone else who reasonably requests to see it (that includes donors, both potential and actual, and beneficiaries).



**This leaflet (which is also part of the series of leaflets on “Recording & Managing Your Charity's Funds” – see above) provides some guidance on what the Trustees' Annual Report & Accounts should (and should not) contain and how it should be presented.**