



Briefing: Overview of charity policies

Thursday 20 June 2024



1

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2

About Burton Sweet

Burton Sweet can help with:

- Bespoke accounts preparation
- Independent examination services
- Guidance on reserves policies, risk management and other key policies and disclosures
- Advice on charity trading and constitutional issues
- Bookkeeping, training and setting up accounting systems
- And much more



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3

Context

- Charity Commission (E&W):
 - Principal regulator of charities
 - Also, has a statutory function of encouraging and facilitating better administration of charities
- How does the Commission do this?



4

Dimensions of the charity sector (E&W)

Income band	No. of Charities	Total income (£m)	Average income	% of Charities	% of Income	Average number of:		
						Trustees	Employees	Volunteers
range-0-to-5k	57,391	65.6	£ 1,144	33.8%	0.1%	4		
range-5k-to-10k	17,053	125.8	£ 7,374	10.0%	0.1%	5		
range-10k-to-25k	26,166	432.6	£ 16,532	15.4%	0.5%	5		
range-25k-to-50k	15,781	566.5	£ 35,901	9.3%	0.6%	6		
range-50k-to-100k	14,888	1,071.0	£ 71,937	8.8%	1.1%	6		
range-100k-to-250k	17,005	2,699.2	£ 158,728	10.0%	2.8%	7		
range-250k-to-500k	8,137	2,877.3	£ 353,603	4.8%	3.0%	8		
range-500k-to-1m	5,088	3,598.5	£ 707,247	3.0%	3.8%	8	28	128
range-1m-to-5m	5,752	12,526.7	£ 2,177,805	3.4%	13.2%	8	38	192
range-5m-to-10m	1,187	8,319.9	£ 7,009,206	0.7%	8.8%	9	105	745
over-10m	1,498	62,668.1	£ 41,834,539	0.9%	66.0%	12	632	1310
TOTAL	169,946	94,951	£ 52,374,016					

Source: Charity Commission, 20 March 2024

5

Annual return

- Submitted each year by all charities within 10 months of financial period end
- The principal way CC gathers data on charities
- Some (most?) data provided is shown on the public register of charities

The screenshot shows the Charity Commission website for the Association of Show and Agricultural Organisations. The charity number is 1023932. The registration history is 20 July 1993: Standard registration. The organisation type is Charitable company. The company number is 02758883. The charity reporting is up to date (on time). The website also provides links for Governance, Trustees, Financial history, Accounts and annual returns, Governing document, and Contact.

6

Updated annual return question in 2023 re policies and procedures

Source: Charity Commission, AR 2023 question guide

8. Governance

Which of the following policies and procedures did your charity have in place at the end of the financial period of this annual return?

(Tick all that apply)

- a. internal charity financial controls policy and procedures
- b. safeguarding policy and procedures
- c. financial reserves policy and procedures
- d. complaint's policy and procedures
- e. serious incident reporting policy and procedures
- f. internal risk management policy and procedures
- g. trustee expenses policy and procedures
- h. trustee conflicts of interest policy and procedures
- i. investing charity funds policy and procedures
- j. campaigns and political activity policy and procedures
- k. bullying and harassment policy and procedures
- l. social media policy and procedures
- m. engaging external speakers at charity events policy and procedures

7

But that seems overwhelming!

The policies and procedures appropriate for your charity will vary depending on the size, nature and activities of your charity.

The Charity Commission expects most charities to have policies and procedures on:

- [internal charity financial controls](#)
- [financial](#)
- [risk management](#)
- [trustee expenses](#)
- [trustee conflicts of interest](#)
- [serious incident reporting policy](#)

It may also be appropriate for your charity to have policies on:

- [investing charity funds](#)
- [engaging in political activity](#)
- [bullying and harassment](#)

Source: Charity Commission, AR 2023 question guide

8

Will we be 'named and shamed?'

Example (grant-making charity):

Gift aid:	Not recognised by HMRC for gift aid
Other regulators:	No information available
Policies:	Conflicting interests Investment Risk management
Land and property:	This charity does not own and/or lease land or property

9



Internal Financial controls

[Home](#) > [Managing your charity](#) > [Internal financial controls for charities \(CC8\)](#)



Guidance

Internal financial controls for charities

Updated 26 April 2023

- **CC8:**
 - Attention now given to modern accounting, banking and payment methods
- Why do controls matter?
- Who is responsible?

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10

Core principles

- **Design** appropriate controls for your charity
- **Embed** controls and pay attention to culture and training
- Review and **monitor** your controls (use the checklist!)
- Obtain and **understand** financial information
- Ensure **segregation** of financial duties – it takes a team
- Record and report **incidents**

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Checklist for reviewing your charity's internal financial controls

Use this checklist to check your charity's internal finance controls against the legal requirements and good practice recommendations in [Internal financial controls for charities \(CC8\)](#).

You should review your charity's internal financial controls at least once a year.

Answer the checklist based on your knowledge of what actually happens in your charity, not what you expect to happen.

Each of the points on the checklist links to a section of the guidance which you should read for full details.

Not all the controls set out below are appropriate for all charities. Only use the sections relevant to your charity's activities.

You must always comply with legal requirements identified in the checklist which are relevant to your charity.

A 'yes' answer for good practice recommendations does not mean there is no scope for further improvement. A 'no' answer does not always indicate a problem. For example, you may not have a particular control because it would not be appropriate for your charity's size or activities. Or it may be a reasonable risk for your charity, given the cost of putting in place stronger internal controls.

GENERAL PRINCIPLES FOR ALL CHARITIES		
1 Understand the types of controls appropriate for your charity	Yes	No
Your charity's financial controls cover all aspects of how your charity handles money		
You seek professional advice where you are not sure what controls are appropriate for your charity		
2 Understand your charity's financial information	Yes	No
All trustees are given regular information about the financial performance of your charity		
You discuss the financial performance of your charity at each trustee meeting		
You have terms of reference for any finance sub-committee, or similar sub-groups of the trustee board		

11

Charity reserves



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12

What are reserves?

“...that part of a charity’s unrestricted funds that is freely available to spend on any of the charity’s purposes.”

(CC19)



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13

Why have ‘free’ reserves? (CC19)

Working
capital
needs

Income risk
(‘buys time’)

Unplanned
adverse
events

Unplanned
closure

Emerging
opportunities



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Myths about reserves

- *“The Charity Commission recommend charities have 3-6 months of expenditure in reserve”*
- *“Trustees have a duty to maximise the charity’s reserves”*



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The need for a policy

- Management tool
- Communication tool (*“explain and justify”*)
- Gives confidence both externally and internally



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Sensible risk management



17

Definition of 'Risk'

*"The **uncertainty** surrounding events and their outcomes that may have a **significant** impact, either **enhancing** or **inhibiting** any area of a charity's operations"*

(CC26)



18

Risky views on risk

- Risk aversion, Risk elimination, Risk mitigation or Risk management?
- “It’s important that we tick the box”
- ”Risk management is ‘set and forget”
- “Risk management – bigger is better”
- “Risk management is primarily about **financial risks**”



19



20

A common approach

- Risk register:
 - Lists risks in different categories
 - Has a way to rank importance
 - Each risk has a response and perhaps an action
 - A person is often tasked with responsibility



21

Other policies...

- Trustee expenses (CC11)
- Conflicts of Interest (CC29)
- Serious incidents
- Safeguarding
- Investments (CC14)
- Engaging in political activity (CC9)



22

Questions?

