Welcome **and round-up**

For the great majority of charities, their only dealings with the Charity Commission are when they file their annual report, accounts and return and update their details. However, where there has been misconduct or mismanagement in charities, the Charity Commission have considerable statutory powers to intervene in a variety of ways. The Charity Commission's annual report and accounts 2018-2019 show that the Commission is an active regulator, and increasingly so.

Starting with steps taken by trustees in 2018-2019, 3,895 serious incident reports were lodged with the Charity Commission, an increase of 38% on the previous year, and 64% of these related to safeguarding issues. It is not then surprising that regulatory compliance cases opened by the Charity Commission increased to 2,666 from 2,269 in the previous year. To put that in perspective, there are 168,000 registered charities.

The Charities (Protection and Social Investment) Act 2016 conferred new powers on the Charity Commission, one of which is to enable them to issue Official Warnings. The Charity Commission can issue a warning both to a charity or its trustees that there has been misconduct or mismanagement or a breach of trust or duty. Failing to listen to a warning and take remedial action could be used by the Charity Commission as evidence of misconduct or mismanagement which could lead them to exercise other statutory powers available to them under the Charities Act. In 2018-2019, 20 Official Warnings were issued and one of the most high profile was to the RSPCA in respect of a payout to a former Chief Executive.

Another function of the Charity Commission is to publish guidance. In March 2019 the Charity Commission pulled guidance together specific for "**charities with a connection to a non-charity**" – https://www.gov.uk/guidance/guidance-for-charities-with-a-connection-to-a-non-charity. The Charity Commission recognise that there can be good reasons for a charity to link-up with a non-charity for furthering its charitable purposes or for raising income. The guidance is relevant, for example, where a charity has a trading company, is set up by a corporate business or collaborates with a non-charitable organisation to deliver services. The guidance is essentially about trustees identifying and managing the risks which can arise from these connections.
One critical risk, which must always be considered in collaborations, is that a charity should not allow its resources to be applied to activities outside its charitable purposes. This can occur where there is poor planning on joint projects and a failure to clearly demarcate which tasks are to be carried out by which organisations in the collaboration. Also, if a non-charity corporate is looking to set up a charity there is a useful checklist at the end of the risk areas on which the Charity Commission will need to be satisfied before it can register the charity.
As a reminder of some changes brought in in August

2018, you should now have updated your **recruitment processes for Chief Executives and Finance Directors**. Someone who is disqualified from being a charity trustee is now also disqualified from holding those senior management positions in a charity. Not only should you be checking that new recruits are not disqualified, you should also check that none of your current postholders are so.

If you are looking to **diversify your income through trading** which is not in direct furtherance of your charitable objects, you may be able to benefit from a piece of deregulation. Charities have been able to carry out trading within the charity even if it does not further their charitable objects (non–primary purpose trading) and to obtain tax relief on the trading profits where it falls within what is known as the "small trading exemption". The turnover limits for non-primary purpose trading on which tax relief is available have been increased from £50,000 to £80,000 (for charities with total turnover of more than £320,000) and with declining limits for smaller charities. The change in the limit applies for accounting periods starting April 2019.

For charities registered with the Fundraising Regulator who are proud to show that they have signed up to best practice in fundraising, you need to make yourself familiar with the new **Code of Fundraising Practice** which will be introduced in October 2019. The Fundraising Regulator confirms that the new code will be applied for making decisions about any incidents that take place from this October – https://www.fundraisingregulator.org.uk/code/new-code-october-2019.

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