

guide to setting up a new charity – first considerations

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1 Introduction

Analysis of new charities registered with the Charity Commission shows that Christians are still at the forefront of charitable endeavour in the UK. Here, we provide a short, guide to some of the key questions and choices for those who are considering setting up a new charity. Stewardship's standard charity formation service information (see www.stewardship.org.uk) provides greater detail.

2 Is a charity the right structure for your purpose and activity?

- 2.1 Benefits include tax reliefs (eg, Gift Aid, no income/corporation tax), status and clear legal structure.
- 2.2 Disadvantages include limits on activities, for instance in relation to trading, and if single person ownership and control is important, the charity structure will not permit this.

3 When is the right time?

- 3.1 At the point of formally establishing the charity you must have more than just vision and ideas.
- 3.2 You need to be able to demonstrate to the Charity Commission that you are financially viable and ready to operate. Some evidence of income, or prospective income, of at least a few thousand pounds a year is normally expected (below this you have to query the value of setting up a charity).

4 What will be the legal structure?

- 4.1 The classic one is the charitable trust. Relatively simple, and suitable where the charity is run by a fairly small, stable group of people.
- 4.2 Charitable companies have become more popular in recent years. They are more involved than trusts, but can limit trustee liabilities in relation to potential claims that might be brought against the charity.
- 4.3 The expected new Charities Act will introduce a new structure, the Charitable Incorporated Organisation. This will combine the limited liability of a company with regulation solely by the Charity Commission. It is likely to become available within a couple of years.

5 Trustees

- 5.1 You will need at least three, and these should be the key decision makers, not figureheads.
- 5.2 Paid church leaders, provided they are in a minority, can be made trustees with a suitable power included for this purpose. The Charity Commission are also becoming more flexible on senior paid employees of other charities being trustees.

6 Charitable purposes

- 6.1 When specifying these, you should ensure they are wide enough to cover all anticipated activities. Be careful not to be too precise or limiting, and allow for wide geographic operation.

7 Pay an advisor or do it yourself?

- 7.1 Getting the right governing document is crucial. This is where it pays to go to specialists, like Stewardship, who have tried and tested documentation specifically for churches and Christian charities.
- 7.2 Getting through the Charity Commission registration process is likely to be quicker and smoother through a charity lawyer or other specialist advisor. Making sure they have genuine experience is important, though.
- 7.3 It is quite possible to deal directly with the Commission and get a satisfactory outcome. However, their model documents are a bit limited. Home made governing documents can create a lot of problems in the registration process.

8 What else do I need to know?

- 8.1 Expect the process to take at least four to six months. It can take a lot longer if you do not use the services of an expert advisor.
- 8.2 Professional fees vary, but can easily be in excess of £1,000. Stewardship's fees range from £500-£625 plus VAT.