

top ten 'traps' for trustees

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Top 10 Traps for Trustees

Each year we come across too many examples of churches and Christian charities falling into 'traps'; legal, financial and practical, that are difficult or costly to get out of. We want you to avoid these and to use your time and resources to maximise your impact for what you are set up to do.

So we have compiled a list of the ten most common and problematical pitfalls that we have seen in 2004 -- so you can learn from others mistakes. These are taken from our own experience supplemented by the experience of others in the sector and the Charity Commission investigation reports.

These are not just for non-Christian organisations. All these have happened to churches or Christian charities – and more than once.

The first four, by coincidence and a judicious playing with words, start with words that spell "TRAP" – don't let them be yours!

1. **Tax - either paying too little or too much:** Many think tax is not important for charities, but it still remains the 'Number 1' trap in 2004. Setting them out in the order of importance: Gift Aid not being recovered where it could; PAYE/NIC not being paid where the employer has a liability. Employee benefits not being properly thought through (particularly housing benefits). Payments made which invalidate Gift Aid tax recovery. VAT not being planned for.
2. **Making Payments to Trustees ('Remuneration')**: Very often this is not allowed, but is happening! We also find trustees forgetting it is not just them but their family and businesses that are covered by these rules. Experience suggests that far too many charities are inadvertently breaching the rules in this area.
3. **Lack of Accountability:** In this context our concern is a lack of clarity in what trustees have decided and why. Too many churches don't have trustees meetings, or fail to minute them or fail to consult properly. This can have all sorts of ramifications and, whilst not a difficult area it is one easily overlooked and can be costly.
4. **Not seeking professional advice for property matters:** Wherever trustees are dealing with property they need to take professional advice – but many don't! This is because the law requires it, even if the trustees have in-house knowledge. If you are leasing, buying or selling property -- take advice!
5. **Poor Contracts of employment:** Too many charities don't have their employment position well thought through. Churches and Christian organisations should take particular note of the EU Directive on Equal Treatment.
6. **Giving - Illegally:** This may be a surprise to many that 'giving' is on this list, but we do find (and so does the Charity Commission and HM Revenue & Customs) giving by churches/charities that is not legal, not appropriate or not properly documented. At worst this can cause the trustees to have to personally pay it back into the charity/church funds.

7. **Weak Approach to Risk Management:** All trustees need to give thought to the risks that the charity is facing. For charities with income over £250,000 statements on this process need to be made in the annual report and accounts. Very often we find that no real thought has gone in at all; for example work involving children but no Child Protection Policy, no thought on the level of charity finance reserves needed, etc. Lack of planning leads to sudden problems.
8. **Ignorance of Governing document:** Do you know what is in this? If not, then problems can occur – like doing some things you shouldn't be doing, and not doing others that you ought to be! If so, join a crowd.
9. **Poor succession planning:** Charities and churches can get into trouble if they don't plan to replace trustees, key leaders or those that fulfil unique functions. Selection and training is vital, in charities as much as any other organization
10. **Being budget driven – rather than vision driven:** It is possible to be a model of excellence in terms of administration, yet miss out on the very calling and vision that God has given you. In the end, the process is there to serve the purpose. Trustees have to be people of vision as well as good administrators, but fulfilment of vision is hindered by weak controls.

If you want to discuss any of these issues in more detail please contact any of the following:

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