



## Never worked with a charity before? Things you should know!

There are over 200,000 civil society organisations within the UK; of which over 160,000 are voluntary organisations. The voluntary sector makes a £20 billion contribution to the UK economy.

There is a very wide variety of charities: those with next to no income and those with billion-pound turnover; local, national or global charities; entirely professional or entirely volunteer-based.

It is not possible to generalise about charities just as it is not possible to generalise about public sector or private sector organisations. In many cases, there is no significant difference between sectors in the way they work, the legal framework, or the commitment to operating efficiently and effectively. However, there are some specific features of charities.

### All charities

Charities must comply with charity law. They must be for the public benefit, must have entirely charitable aims and must have a trustee body. The trustees are entirely accountable for the charity's proper operation and delivery of its charitable objects. The trustee role is unremunerated, except for certain, exceptional circumstances. Trustee bodies vary considerably in how active they are in practice and what role they take relative to any paid staff or operational volunteers; but they all have the same underlying legal responsibility for the running of the charity.

Charities with more than £5,000 income must be registered with the Charity Commission, which is the relevant regulator. The Charity Commission website publishes information about every registered charity and has extensive guidance about good practice and regulatory and statutory requirements.

Registered charities must have a governing document, which sets out, amongst other things, the charitable objects – the purpose(s) for which the charity exists.

Charities may have a variety of income sources, including: receipts from sale of goods or services; income from contracts (in particular, these days, from local authorities); grants either from statutory sources, the Lottery, or from grant-making charitable trusts and foundations; donations from companies or individuals, including legacies; and income from events. Many of these represent one-off or short-term funding. As a result, it is more common in the charity sector – especially amongst smaller charities – to have considerable uncertainty about future levels of funding, and erratic income flow. Fundraising has become a profession in its own right, to maximise income from grants, donations and events.

Charities are required to account separately for 'unrestricted' and 'restricted' funding. Funding is 'restricted' if the donor or grant maker has given the money to be used for a specific purpose only; it cannot normally be used for any other purpose. (Contract funding is not usually restricted – if the services specified in the contract are delivered, the funding can be used as the charity sees fit.)

For this and other reasons, charity accounting differs in some respects from public or private sector accounting: there is a separate Charities Statement of Recommended Practice.