

Charity Commission

Public benefit – the Charity Commission's approach



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What is public benefit??



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- Public benefit is the legal requirement that all charities must have purposes that benefit the public
- Currently, charities for the relief of poverty, or the advancement of education or religion are presumed to benefit the public

What the Charities Act 2006 says about public benefit



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- Lists 13 descriptions of charitable purposes
- Defines a charitable purpose as one that benefits the public
- Removes the presumption that poverty religious or educational charities benefit the public
- Gives the Commission a new public benefit objective “to raise awareness & understanding of the operation of the public benefit requirement”
- Says Commission must consult on its public benefit guidance
- Says charity trustees must have regard to our guidance

Commission's public benefit plans



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- Consult on guidance on high level legal principles
- Consult on guidance on public benefit of specific types of charity, starting with:
 - poverty
 - education
 - religion
 - fee-charging
- Issue guidance, and consult as necessary, on the meaning of different charitable purposes
- Pilot public benefit assessments

Consultation on Draft Public Benefit Guidance



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- Started 7 March - ends 6 June
- Draft guidance on key principles of public benefit that apply to all charities
- Proposals for charities' reporting on public benefit
- Plans for public benefit assessments
- Citizens' Standards on Public Benefit

Charitable purposes



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- Poverty
- Education
- Religion
- Health or saving of lives
- Citizenship or community development
- Arts, culture, heritage or science
- Amateur sport

Charitable purposes



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- Human rights, conflict resolution or reconciliation, religious or racial harmony, equality or diversity
- Environmental protection or improvement
- Relief in need - youth, age, ill-health, disability, financial hardship, other disadvantage
- Animal welfare
- Efficiency or the armed forces or police, fire or rescue services
- Other purposes

Modern approach to public benefit



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- What is of benefit to the public can change over time
- Public benefit needs to be relevant for the social circumstances of the day
- Public opinion can't decide what is charitable

Key principles of public benefit



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- There must be an identifiable benefit
- Benefit must be to the public, or a section of the public
- People on low incomes must be able to benefit
- Any private benefit must be incidental

Principle 1 - There must be an identifiable benefit



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- Benefit must be clear
- Benefit must be related to purposes
- Ancillary benefits unrelated to purposes don't count
- Different sorts of benefits
- Benefits must be balanced against 'disbenefits' or harm
- Political purposes cannot be charitable purposes

Principle 1 - Things to think about



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- What are the benefits that your organisation's purposes provide?
- Does your organisation's purposes give rise to any harm or 'disbenefits'?
- Are your purposes political?

Principle 2 - Benefit must be to the public, or a section of the public



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- Varies depending on purpose - can be specific groups, communities, society or humanity
- Not just a question of numbers
- Any restrictions on who can benefit must be reasonable, rational and justifiable
- Charities are not meant to be exclusive clubs for an elite few

Principle 2 - Things to think about



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- Who is your organisation primarily set up to benefit?
- Does your organisation provide wider benefits to the community or society generally? If so, how?
- What criteria does your organisation use to select beneficiaries? Is anyone excluded from being a beneficiary? If so, who is excluded and why?
- Does your organisation provide facilities for, or services to, the public? If so, what, if any, restrictions are there on what people can access or who can have access?

Principle 3 - People on low incomes must be able to benefit

The logo for the Charity Commission, featuring the words "CHARITY" and "COMMISSION" stacked vertically in white capital letters on a green rectangular background.

- 'People on low incomes' is a modern equivalent of 'the poor'
- Charities can charge fees, but public benefit may be affected where they effectively exclude people on low incomes from any benefit
- Different sorts of benefit to people on low incomes can be taken into account

Principle 3 - Things to think about



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- Does your organisation charge for its services? If so, how are charges set? Is everyone charged the full rate?
- How are people on low incomes able to benefit from your organisation?

Principle 4 - Any private benefit must be incidental



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- ‘Private benefits’ are where an individual or organisation personally gains from receiving a benefit
- Some ‘private benefits’ are charitable; some are not
- Charities can provide private benefits as a means of carrying out its charitable purposes
- Charities must provide more public than private benefits

Principle 4 - Things to think about



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- Does anyone receive private benefits from your organisation?
- If so, what benefits do they receive?
- How do those benefits contribute towards achieving your organisation's purposes and/or to what extent are they incidental?

Assessing public benefit



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- New charities have to show positively that their charitable purposes benefit the public
- Existing registered charities have to continue to meet the public benefit requirement
- Public benefit assessments of individual charities will be risk-based
- Non-registered charities also have to meet the public benefit requirement
- Encouraging good practice

Reporting public benefit



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- Charity trustees will be required to report in their Trustees' Annual Report on their charity's public benefit
- Charities below £500,000 income to provide a simple statement
- Charities with £500,000 or above income to provide a more detailed account of their charity's public benefit

Some final thoughts



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- Public benefit is not a new requirement but charities need to think about how they meet it
- If in doubt, get advice
- Read our draft guidance
- Get involved in our consultations
- Above all - see this as an opportunity to tell your public benefit story well

Conclusion



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- For further information check our website www.charitycommission.gov.uk