

# Private Action, Public Benefit

Prime Minister's Strategy Unit, UK Cabinet Office

*Press Release - 25 September 2002*

## *Prime Minister's Strategy Unit proposes major shake-up of UK Charity Law*

### **Contents**

- Radical new types of company for charities and social enterprises
- Modernising charity law
- Improving legal forms for charities and social enterprises
- Building the public's trust in the sector
- Ensuring independent, open and proportionate regulation
- Next steps
- Further information

### **Radical new types of company for charities and social enterprises**

Wide-ranging changes in the law and regulation of the charitable and not-for-profit sectors are proposed in the new consultation document published by the Prime Minister's Strategy Unit.

The report *Private Action, Public Benefit* calls for:

- the replacement of the 400-year old definition of charity;
- radical new types of company for charities and social enterprises;
- better information for the public; and
- modernisation of the role of the regulator – the Charity Commission.

Welcoming the report, Prime Minister Tony Blair, said:

*“Wise governments respect the crucial independence of the sector. But government has an important role to play in providing support.*

*This report sets out a package of measures which will modernise the law and enable a wide range of organisations to be more effective and innovative, whilst maintaining the high levels of public trust and confidence which are vital to the continued success of the sector.*

*The report is issued as a consultation document. Over the next three months, there will be time to comment on the analysis and the proposals in this report. We want to work with the sector and hope to hear views from the widest possible range of people and organisations.”*

## **Modernising charity law**

The report proposes a new definition of charity with *10 clear purposes of charity*:

- The prevention and relief of poverty.
- The advancement of education.
- The advancement of religion.
- The advancement of health.
- Social and community advancement.
- The advancement of culture, arts and heritage.
- The advancement of amateur sport.
- The promotion of human rights, conflict resolution and reconciliation.
- The advancement of environmental protection and improvement.
- Other purposes beneficial to the community.

In addition the report makes the following recommendations:

- Charities will no longer have to set up a separate trading subsidiary to handle contracting and trading operations.
- There should be a clearer focus on ensuring that all organisations, which are charitable, provide public benefit.

## **Improving legal forms for charities and social enterprises**

There will be the first purpose-made legal form for charities, the *Charitable Incorporated Organisation*. Plus a new legal form for social enterprises, the *Community Interest Company*, with legal protection against demutualisation, and assets and profits locked in for social purposes.

## **Building the public's trust in the sector**

The public will be able to get clearer information about larger charities' effectiveness, performance and financial position through a new *Standard Information Return*.

A new independent body will be set up to oversee good practice in fundraising, along with a new simplified licensing system for public collections. But if the voluntary initiative fails, the Home Secretary should have the power to set up a compulsory system.

## **Ensuring independent, open and proportionate regulation**

Red tape will be cut back for smaller charities by increasing the threshold for charity registration from £1,000 to £10,000. This would free tens of thousands of charities from the need to register. There will also be a new status of *Small Charity* for those, which are too small to register.

A more open and accountable Charity Commission, with a larger board to include a wider range of stakeholders, and separate Chair and Chief Executive roles. The Commission will have to report to Parliament on new, clear statutory objectives, and

hold open board meetings. It will also issue reports on performance in areas of the charitable sector.

Easier appeals against the regulator's decisions through a new independent tribunal. This will enable trustees to challenge decisions at reasonable cost.

### **Next steps**

The Home Office and Strategy Unit will jointly be holding a number of consultation events across the UK, plus meetings with representative bodies. Full details will be published on the Strategy Unit website.

Send any comments on the process by 31 December 2002 to:

E-mail: [piuvolsec@cabinet-office.x.gsi.gov.uk](mailto:piuvolsec@cabinet-office.x.gsi.gov.uk)

or to:

PIU/Home Office  
Charities Project  
Admiralty Arch, The Mall  
London, SW1A 2WH

### **Further information**

The Strategy Unit report *Private Action, Public Benefit* is available on the website:

[www.strategy.gov.uk](http://www.strategy.gov.uk)

Or by phoning the Strategy Unit on: 020 7276 1434

The Strategy Unit provides the Prime Minister and Government departments with a capacity to analyse major cross-cutting and strategic policy issues and to design solutions to problems.

This copy from [www.caledonia.org.uk](http://www.caledonia.org.uk)