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## Running your charity – Guide 1

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### A handbook for charity trustees



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## About this guide

This guide is for anyone who is involved in running a charity. Whether you are just getting started or you have been a charity trustee for years.

It explains:

- what charity trustees do
- how charities work
- your legal responsibilities as a charity trustee
- good practice you should follow when running your charity.

It also provides guidance for people who act on behalf of a charity (for example, solicitors, accountants and agents).

### How to use the guide

This guide is divided into five parts:

- Guide 1 – Overview of each guide
- Guide 2 – Who are charity trustees, and what do they do
- Guide 3 – Meeting the public benefit requirement
- Guide 4 – Finance, fundraising, updating and reporting
- Guide 5 – Good governance and managing risks.

This overview explains how a charity is legally defined and who regulates charities in Northern Ireland. It sets out what topics are covered in the other four guides.

You can download all the guides from our website. Each one contains links to more resources and guidance that can support you in your role as a charity trustee.

## **What are legal requirements and best practice**

We use 'must' where a charity has to comply with a specific law or regulation. We use 'should' where a charity ought to follow good practice but where there is no specific legal requirement. Charity trustees should follow good practice guidance unless there is good reason not to do so.

### **Key terms**

This guide uses some terms that you may find useful when running your charity. We have highlighted these in **bold green**. A list of the key terms is available in Appendix 1.

## What is a charity

A charity is an organisation that is set up for a good cause. It is structured and managed in a particular way. In Northern Ireland, charities are governed by the **Charities Act**. This defines a charity as an institution that:

- is independent (that is, it controls its own governance and resources).
- has exclusively charitable **purposes** (what the charity aims to achieve).
- is governed by the law of Northern Ireland.

To have exclusively charitable purposes **all** the charity's purposes must fall under at least one of the 12 purposes described in the Charities Act and be for the **public benefit**.

The Charities Act calls this the 'public benefit requirement'.

A charity isn't the only way that you can try to meet social needs or pursue good causes. There are other legal structures that might be suitable. If you're thinking of setting up a charity, read our [Starting a charity](#) guide to find out if setting up a charity is the best option for you.

### Benefits of being a charity trustee

One thing all charities have in common is that they all depend on their **charity trustees**. Charity trustees play an essential role in running charities, bringing valuable experience, skills and knowledge to the organisation and the charitable sector. While being a charity trustee carries a significant level of responsibility it can also be an interesting and rewarding role where you will have the opportunity to learn and develop new skills. You will also meet people who share your passion for a particular cause or issue and know that you are making a difference through the work of your charity.

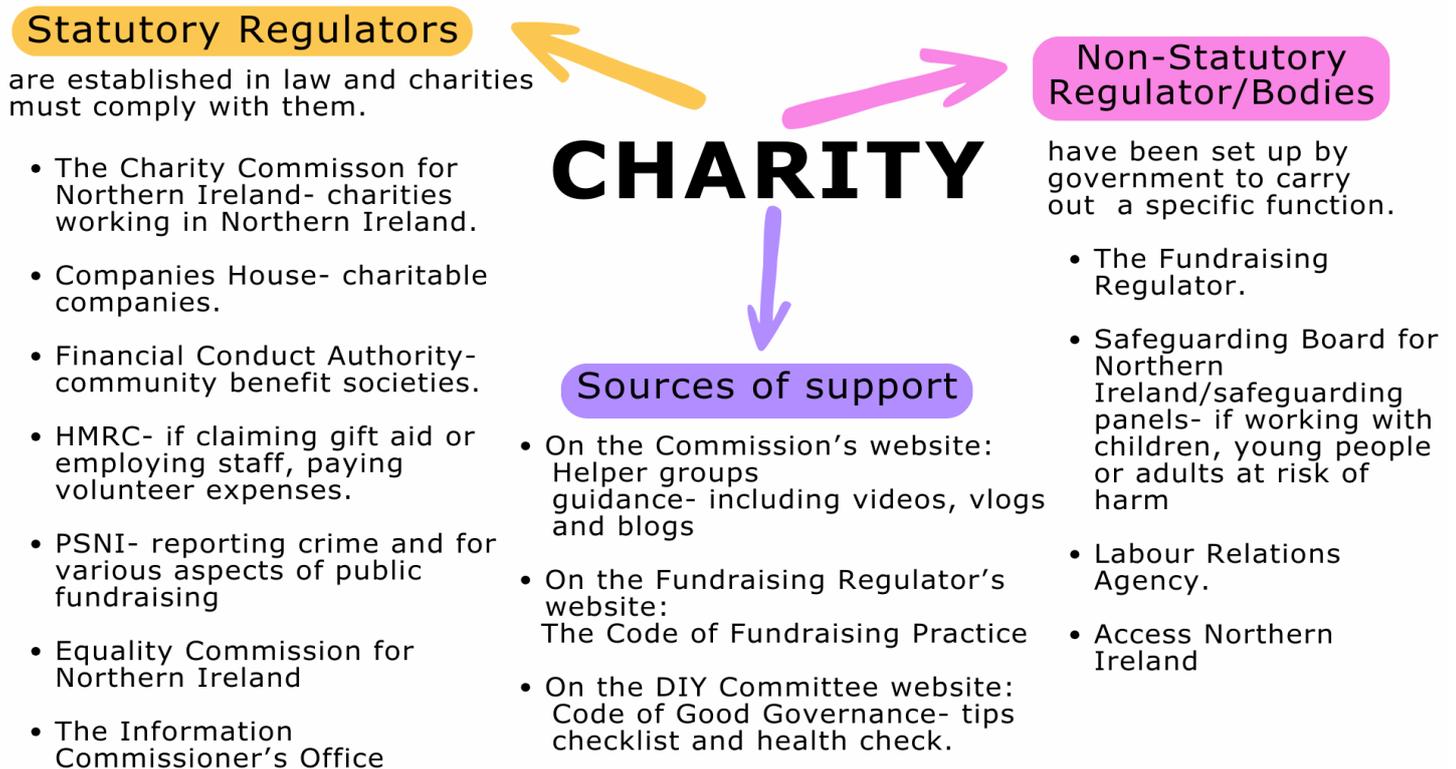
## Who regulates and supports charities

We, the Charity Commission for Northern Ireland, regulate and support charities in Northern Ireland.

Some charities may also need to follow rules and guidance from other regulators or governing bodies (for example, the Financial Conduct Authority or Companies House). These may be statutory or non-statutory.

- Statutory regulators make rules that charities have to follow.
- Non-statutory regulators and bodies perform a specific task, such as giving advice and guidance.

## Regulators and support for charities



## What does this guide cover

Guides 2 to 5 focus on different aspects of being a charity trustee. For more information about any of the topics outlined here, please download the relevant guide.

### **Guide 2: Who are charity trustees, and what do they do**

**Charity trustees** are the people who control and manage a charity. They serve on the charity's board or management committee. The charity trustees usually include a chairperson, a secretary and a treasurer, but they may also include people with other job titles. Charity trustees may also be called governors, directors or committee members.

Charity trustees make decisions about what your charity does, how it spends its money and how it uses its other resources.

Each charity trustee must use their own judgement and together the charity trustees must act 'collectively'. This means that each of them is equally responsible for running the charity. A charity trustee must not act on their own unless the whole board of trustees has delegated that action to that charity trustee.

In their work, charity trustees follow two sets of formal rules:

#### **1. The charity's governing document.**

This is a formal document that sets out areas such as:

- the charity's purposes
- how the charity should be managed and run
- what the charity can do to carry out its purposes (its 'powers')
- what happens if the charity needs to close.

A charity's governing document will usually set out how to:

- appoint charity trustees
- who can be a member
- any rules about paying charity trustees, investments and holding land
- how meetings will be held
- whether the charity trustees can change the governing document
- how many charity trustees make up a **quorum** – that is, how many charity trustees have to be at a meeting to allow legally binding decisions to be made.

If you are setting up a charity, we recommend you use one of the Charity Commission's [model governing documents](#) as a template.

## **2. The law that governs the type of charity**

In Northern Ireland, this always includes the **Charities Act**. Depending on your charity's legal structure, the charity trustees may also have to keep to other laws, for example, company law, trustee law and community benefit society law.

Read guide 2 to find out more about:

- who can (and who can't) be a charity trustee
- which people in a charity are its charity trustees
- what charity trustees do
- what your legal responsibilities are as a charity trustee.

## **Guide 3: Meeting the public benefit requirement**

**Public benefit** is at the heart of what it means to be a charity. It's about who your charity helps and what difference it makes to them. The law defines 'public' and 'benefit' in a particular way, and we explain this in guide 3.

To be a registered charity in Northern Ireland, **all** your organisation's purposes must:

- fall under one or more of the 12 descriptions of charitable purposes in the Charities Act, and
- be for the public benefit.

This is called the **public benefit requirement**.

Read guide 3 for more information about:

- what the public benefit requirement is
- how to show your charity meets the public benefit requirement
- how to run your charity for the public benefit.
- **If you want to register a charity:** Use *The public benefit requirement: statutory guidance* and the *Purposes and public benefit toolkit* to explain how it meets the public benefit requirement. These are available on the [Registration support](#) page of our website.
- **If your charity is already registered:** *The Public benefit toolkit - reporting public benefit in the trustees' annual report* will help you show how your charity is meeting its public benefit in your **annual report** (the report you send us each year). This is available on the [Annual reporting](#) page of our website.

## **Guide 4: Finance, fundraising, updating and reporting**

Charities are more effective when people trust them and have confidence in their work. Part of our role is to maintain the public's trust in charities and the charity sector.

Our research in 2021 showed that [people's trust and confidence](#) are affected by how open (transparent) and accountable (answerable) a charity is about its finances and how it uses its funds.

Each charity that is registered with us has an entry on our [register of charities](#), which is available to the public. For openness about how charities are run, we publish the charity trustees' names on the register unless there's a good reason not to. As a charity trustee, you need to keep your charity's entry on the register up to date, including the names of its trustees.

You also need to report to us every year on your charity's finances, resources and activities. This is known as annual reporting.

To do this, you'll need to fill in an online **annual monitoring return** and return it to us with:

- your charity's accounts
- the trustees' annual report
- a report from an independent examiner or auditor.

We then publish your annual monitoring return in your charity's entry on the register. Read guide 4 for more information about:

- keeping your charity details up to date on the register of charities
- managing your charity's finances
- annual reporting to us
- raising money for your charity
- closing or merging your charity.

## **Guide 5: Good governance and managing risks**

**Good governance** means making sure the charity is well managed, follows charity law and any other regulations that apply. Good governance is key to the success of any charity.

Your charity will need systems and processes to keep it moving in the right direction and fulfilling its purposes effectively. To keep your charity running smoothly, you'll need to lead your charity, be accountable (answer for your actions), and manage the charity's resources in the best way.

Even the best-run charities face problems from time to time, and it's impossible to remove risks entirely. However, you do need to reduce them as much as possible and manage them appropriately. Guide 5 explains how to develop good governance in your charity. It explains how to manage risks and, if things do go wrong, how to report **serious incidents** to us and other regulators.

Read Guide 5 for more information about:

- what good governance is
- choosing the right legal structure for your charity
- managing different kinds of risks in your charity

## Support and resources

Resource	What it is
Helper groups	<p>Helper groups can support you with:</p> <ul style="list-style-type: none"> <li>• registering your charity annual reporting</li> <li>• other aspects of managing your charity.</li> </ul> <p>Helper groups are organisations that have volunteered to provide this support. Follow the link to see the support each organisation can offer, who they work with, and how to contact them.</p>
Code of good governance	<p>The Code of Good Governance was created by a group of charities. The DIY Committee Guide can help you put the Code of Good Governance into practice in your charity.</p>
Code of Fundraising Practice Code Advice Service Fundraising guidance	<p>The Code of Fundraising Practice sets out standards for charity fundraising in the UK.</p> <p>Use the Code Advice Service to ask the Fundraising Regulator questions about the Code of Fundraising Practice and how it applies to your fundraising activity.</p> <p>Read our <i>Fundraising at a glance</i> guide and more detailed guidance on fundraising.</p>
Commission newsletter	<p>Keep up to date with changes in charity regulations by signing up for our three-monthly newsletter.</p>
Cyber security: Presentation Cyber security: Small charity guide	<p>Cyber security is important for protecting your charity and the information it holds. Follow the links for guidance on:</p> <ul style="list-style-type: none"> <li>• protecting devices (for example, tablets, smartphones and laptops)</li> <li>• preventing unauthorised access to data (on devices and online).</li> </ul>
Stakeholder engagement forum	<p>Our stakeholder engagement forum is a place where charities can have conversations with us. You can learn about the stakeholder forum page of our website.</p>

## Appendix 1 Key terms

**Annual monitoring return:** This is the online form that registered charities must complete every year to report on their activities that year. It is also known as the annual return.

**Annual report:** This is a full report on your charity's performance during the year, including its finances. It is also known as the trustees' annual report.

**Asset:** An asset is something of value that your charity owns. Assets can include cash, investments, land, buildings, stocks and shares, patents, copyrights, trademarks and licences, among other things.

**Beneficiary:** This is a person or group of people who your charity was set up to help.

**Charities Act:** The Charities Act (Northern Ireland) 2008 as amended by the Charities Act (NI) 2013 and the Charities Act (NI) 2022. This is the main law that defines what a charity is and how charities are regulated.

**Charity trustees:** These are the people who are legally responsible for controlling and managing how your charity is run.

**Good governance:** Good governance means making sure the charity is well managed, keeps to charity law and keeps to any other regulations that apply. Good governance is key to the success of any charity.

**Governing document:** This is a formal document that sets out your charity's purposes and, usually, how the charity will be run. It may be a trust deed, a constitution, a memorandum and articles of association, a conveyance, a will, a Royal Charter, or a Scheme. What these terms mean and the type of charity that will use them is set out below.

## Types of governing documents

Articles of association - define the company's purpose and lay out how tasks are to be accomplished within the organisation, including the process for appointing directors and how financial records will be handled. For companies with older style memorandum and articles of association all provisions in the memorandum are now classed under the articles of association.



Charitable company

Constitution - this is a legal document that sets out its charitable purposes ('objects'), powers, who runs it and who can be a member, meetings and appointments, rules on remuneration, investments and holding land, power to change the governing document and how to close the charity.



Unincorporated association

Rules which set out items such as its name, objects, where it is registered, membership.



Community benefit society

Scheme



A legal document that changes, replaces or extends the trusts of a charity. It may be a fully regulating scheme, covering all aspects of a charity's administration and purposes and replacing the previous governing document, or it may be a scheme that adds to or alters some part of the governing document.

**Private benefit:** This is something (for example, pay or higher profit) that a person or organisation who is not a **beneficiary** gains from your charity. Charities are allowed to provide private benefit as long as the benefit is incidental.

**Public benefit:** Public benefit is at the heart of what it means to be a charity. It's about who your charity helps and what difference it makes. The Charities Act sets out that a charity's purposes must be for the 'public benefit'.

**Public benefit requirement:** By law, all charities must have purposes that benefit the public. The law states that **all** a charity's purposes must:

- fall into one or more of the 12 charitable purposes described in the Charities Act, and
- be for the public benefit.

The Charities Act calls this the 'public benefit requirement'.

**Purposes:** A charity's purposes are what the charity is set up to achieve. They are usually set out in the charity's governing document. Some charities call their purposes 'objectives', 'goals' or 'aims'.

**Quorum:** This is the number of trustees who must be present at a meeting for legally binding decisions to be made.

**Serious incident:** A serious incident is something that could lead to:

- the charity losing a large amount of money or **assets**
- damage to the charity's property
- negative consequences for the charity's work, the people it helps, or its reputation.

**Unincorporated association** is a group of individuals operating for a common purpose for the benefit of its users. Its governing document is usually a constitution or a set of rules. It is not incorporated, so it cannot enter into contracts or own property in its own right and individual members are personally responsible for any debts and contractual obligations.

You can find definitions of other useful terms in the main glossary on the Commission website.

## More information

**Website:** [www.charitycommissionni.org.uk](http://www.charitycommissionni.org.uk)

**Email:** [admin@charitycommissionni.org.uk](mailto:admin@charitycommissionni.org.uk)

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