

# Swalcliffe Village Charity – Donations Policy

## 1. Introduction

- 1.1 The purpose of this policy is to introduce a formal 'know your donor' policy. It is based on Charity Commission and Institute of Fundraising guidance. The policy sets out what the trustees need to do to know, in broad terms, where the money that is being given to us comes from. It will ensure that trustees are able to identify and be assured of substantial donations. It will also enable a good, open and transparent relationship between the Charity and donors.

## 2. What the policy covers

- 2.1 The policy sets out the conditions under which the Charity would refuse a donation, the levels of checks we will undertake and the mechanisms for communicating decisions.

## 3. What does it mean to know your donor?

- 3.1 From the Charity Commission: Trustees should take reasonable and appropriate steps to know who the Charity's donors are, particularly where significant sums are being donated or the circumstances of the donation give rise to notable risk. Good due diligence will help to:

- assess any risks to the Charity that may arise from accepting a donation or certain types of donations
- ensure that it is appropriate for the Charity to accept money from the particular donor, whether that is an individual or organisation
- give trustees reasonable assurance that the donation is not from any illegal or inappropriate source
- ensure that any conditions that may be attached are appropriate and can be accepted.

Charity trustees need to put effective processes in place to provide adequate assurances about the identity of donors, particularly substantial donors, taking steps to verify this where reasonable and it is necessary to do so (ie 'identify' and 'verify'). They should also have assurance on the provenance of funds and the conditions attached to them 'i.e. know what the donor's specific business is with your charity' and ensure they know the rules of, and their responsibilities under, relevant legislation on substantial donors. This does not mean charities have to question every donation. Nor must they know lots of personal and other details about every donor."

## 4. Under what conditions would we refuse a donation?

- 4.1 Trustees have a responsibility to act in the best interests of their charity in pursuing its purposes, as set out in its Articles. This means that, when deciding whether to refuse a donation, trustees must only do so if to accept it would be more detrimental to the Charity being able to achieve its objectives than rejecting it. Making this decision should involve a careful analysis of the risks of accepting a donation, balancing this against the benefit that will be obtained. These matters should be decided on a case-by-case basis. Donations to charities should only be rejected in exceptional circumstances, when:

- it would be unlawful to accept it (e.g. we know that the gift comprises the proceeds of crime); or
- accepting the donation would be detrimental to the achievement of objects, as set out in our Articles. This anticipated detriment must be set against the benefit of having the funds from the donor, which would enable the organisation to pursue its purposes.

4.2 There may be instances in which we receive offers of donations from sources not in line with the Charity values. The Charity should consider refusing a donation if we believe that acceptance of the donation would be contrary to our organisation's ethics and values. Although ethics and values will be important in reaching the decision, these cannot be the decisive factors. The Charity needs to be able to demonstrate that acceptance of the donation would be detrimental to the achievement of its purposes. For example, it may be evident that the acceptance of a donation would most likely lead to:

- the loss of donations from other supporters or funders at least equivalent, over the long term, to the value of the donation
- the loss of volunteers whose services would be at least of as great value as the donation

## **5. How Can Trustees Identify Suspicious Donations?**

5.1 From the Charity Commission: "The short answer: Most charities will be familiar with the source and nature of donations that they receive. The key to identifying suspicious donations is to look out for exceptional features, such as unusually large amounts, conditions or complex banking and transfer arrangements. "In more detail: Charities should, as a matter of good practice, have policies and procedures in place both to ensure that staff and volunteers are aware of the risks, and to ensure that trustees and staff are alerted to any suspicious donations and know what to do. Charities should take reasonable steps to ensure staff and volunteers know how to identify suspicious donations and what to do if they find one. Unsolicited donations might be suspicious, especially if the charity trustees are unable to satisfy themselves about the credentials of the people involved, or the propriety of the donation or loan. Donations may take forms other than money, for example shares or goods. Trustees should of course remember that the donor might be entirely legitimate, but they should not rule out the possibility that somebody is trying to exploit the charity. The following situations may indicate higher risks:

- unusual or substantial one-off donations or a series of smaller donations or interest-free loans from sources that cannot be identified or checked by the charity
- if conditions attached to a donation mean that the charity would merely be a vehicle for transferring funds from one individual or organisation to another without the trustees being able to satisfy themselves about the appropriateness of their use and that they have been used as intended
- where a donation is made, the charity is told it can keep it for a certain period of time, perhaps with the attraction of being able to keep any interest earned whilst holding the money, but the principal sum is to be returned at the end of a specified, short, period
- where donations are made in a foreign currency, and again unusual conditions are attached about their use, including a requirement that the original sum is to be returned to the donor in a different currency
- where donations are conditional on particular individuals or organisations being used to do work for the charity where the trustees have concerns about those individuals or organisations

- where a charity is asked to act as a conduit for the passing of a donation to a second body which may or may not be another charity
- where a charity is asked to provide services or benefits on favourable terms to the donor or a person nominated by the donor.

5.2 Other factors which may alert suspicion: Whilst some of the examples above may be donations made in good faith, other factors combined with these examples may alert the trustees that the donation or circumstances could be suspicious. For instance, trustees should consider the timing of the donation, the origin, the amount donated and the frequency of the donations. Similarly, they should question payments received from a known donor but through an unknown party or an unusual payment mechanism where this would not be a typical method of payment. Closer attention may need to be paid with donations which are received from unknown bodies or international sources where financial regulation or the legal framework is not as rigorous as in the UK. These examples may be useful indicators to the trustees that they may need to make further enquiries before accepting the donation. They may need to refuse a donation if they do not receive satisfactory replies to their enquiries.”

## 6. Policy operation and implementation

6.1 The Charity has agreed a simple checklist to be used at the point donations are received (or a pledge made) to help us identify possible suspicious donations. This checklist is:

- i) Size – is the gift over £5,000 (or is there a pattern of regular smaller gifts from one source)?
- ii) Is it a first time gift? If not, what previous due diligence have we done?
- iii) Was the gift expected? Was it solicited?
- iv) Anonymity – do we know who the donor is?
- v) Reputation – assuming we know the donor, do we know what their reputation is and how they are perceived?
- vi) Type of Gift – is the source of the funds known?
- vii) Geographical origin – UK or overseas?
- viii) Restricted or Unrestricted – are there conditions on the gift? If there are restrictions, are they in line with our values? If a volunteer or trustee has a concern about the donation they should raise this immediately with the Board. In specific circumstances the Board will report any serious concerns to the Charity Commission or statutory authorities (as set out in CC Guidance). The Board will also contact the donor requesting more information, if appropriate. Based on this initial investigation, the Board (or delegated trustee or group of trustees) as to whether the donation should be accepted based on the conditions established by this policy. This will then be minuted at the following board meeting.