



The Governance  
Institute

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Candidate number:										as indicated on your admission slip
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Desk number:

Subject ref. CLG

**Level 4 Certificate in Charity Law and Governance**

# Charity Law and Governance

**November 2016**

Wednesday morning, 30 November 2016

**Time allowed:** 3 hours (plus 15 minutes reading time)

**Do not open this examination paper until the presiding officer or an invigilator tells you to.**

**You must not take this paper out of the examination room.**

The examination paper contains **19** questions and is divided into **three** sections. You must attempt **all the questions** in this paper.

Section A contains 20 marks, Section B contains 35 marks and Section C contains 45 marks. There are **100 marks** available in total for the paper.

You should allow yourself **approximately** 15 minutes in total to answer the questions in Section A, 60 minutes in total to answer the questions in Section B and 35 minutes for each of the questions in Sections C.

You may continue your answers on a separate sheet of paper if necessary. Separate answer sheets are available from the invigilator.

**Note:** Unless otherwise specified, you should assume that an Act or an organisation referred to in the questions is a UK Act or organisation.



# Section A

Answer **all** the questions in this section.

Continue your answers on a separate sheet of paper if necessary.

1. How many different legal jurisdictions are there in the United Kingdom?

\_\_\_\_\_

(1 mark)

2. Name **two** of the bodies established in the UK to regulate charities.

(i) \_\_\_\_\_

(ii) \_\_\_\_\_

(2 marks)

3. The general public has a right to attend the general meetings of a company.

Is this **true** or **false**?

(Tick **one** box only)

True

False

(1 mark)

4. The Charity Commission provides guidance on 'public benefit'. In addition to its overview guidance, what is the subject matter of each of the Charity Commission's **three** Public Benefit Guides?

(i) \_\_\_\_\_

\_\_\_\_\_

(ii) \_\_\_\_\_

\_\_\_\_\_

(ii) \_\_\_\_\_

\_\_\_\_\_

(3 marks)

5. Give **two** of the statutory functions of the Charity Commission under the Charities Act 2011.

(i) \_\_\_\_\_

\_\_\_\_\_

(ii) \_\_\_\_\_

\_\_\_\_\_

(2 marks)

6. As well as annual reporting requirements, companies are required to tell Companies House about certain changes when they occur. List **four** changes which require event-driven filing.

(i) \_\_\_\_\_

\_\_\_\_\_

(ii) \_\_\_\_\_

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(iii) \_\_\_\_\_

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(iv) \_\_\_\_\_

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(4 marks)

7. Using an example, explain what a social impact investment is.

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\_\_\_\_\_

\_\_\_\_\_

(2 marks)

8. Trustees are legally required to notify the Charity Commission, within 28 days, of any changes to information held on the central register in:

(Tick **one** box only)

- A.  all registered charities.
- B.  charities above the statutory audit threshold.
- C.  Charitable Incorporated Organisations.
- D.  no charities.

(1 mark)

9. In a charitable company, what would the board need to consider if it wanted to put a written resolution to the members?

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(2 marks)

10. Using an example, describe how trustees discharge their prime responsibility for the care, custody and correct application of the charity's funds and assets.

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(2 marks)

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**TOTAL FOR SECTION A = 20 MARKS**

## Section B

Answer **all** the questions in this section.

Continue your answers on a separate sheet of paper if necessary.

11. The Yarus Trust ('Yarus') is established in England but is planning to extend its operations to Scotland and Northern Ireland. Explain the legal and regulatory matters which Yarus will need to consider.

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(5 marks)

12. Explain how charitable status imposes constraints which a commercial organisation does not have.

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(6 marks)

13. Explain the limitations of agency theory in the context of charities.

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(6 marks)

14. The Charities Act 2006 was intended to change the way that exempt charities were regulated. Explain how far these changes have been implemented.

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(6 marks)

15. Start-up organisations sometimes consider taking the form of a community interest company (CIC) rather than a charity. Compare and contrast a CIC and a charitable company limited by guarantee.

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(6 marks)

16. Explain some of the difficulties in undertaking a skills analysis for trustees.

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(6 marks)

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**TOTAL FOR SECTION B = 35 MARKS**



# Section C

Answer **all** the questions in this section.

Continue your answers on a separate sheet of paper if necessary.

- 17. You have a friend, Susan, who has recently joined the board of a charity and she has asked for your advice. She undertook a full review of the charity before joining and was very satisfied by the fact that it seemed to have good governance in place. In Susan’s induction, the Board Chair (‘the Chair’) placed real emphasis on how the board distinguished between the role of the board and the role of the CEO.

However, since joining, Susan has become quite concerned with the actions of the CEO, particularly with the scale of some of the decisions being taken by the CEO without reference to the board. When she raised this matter, the CEO assured her that these were operational matters which are within the CEO’s remit, and referred her to the fact that the board is meant to be focussing on strategy. The CEO also referred her to the Articles, which state that the CEO is responsible for the day-to-day management of the charity.

Susan has now researched this, and she cannot find any other written document supporting the very high level of decision-making by the CEO. She has also asked if she can be sent regular reports on the activities of the charity. The Chair has said that Susan is being too focussed on operational matters, and the board needs to look at the bigger picture. However, the Chair has given Susan the opportunity to suggest changes to the way that these matters are being dealt with at the next board meeting.

Discuss the measures that you think the board should take.

(15 marks)

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18. Discuss how suitable the legal form of ‘registered society’ is for a housing association.

(15 marks)

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19. The Save Fungi Trust ('SF') is a charitable trust (registered with the Charity Commission) with charitable purposes to advance environmental protection and educate the public about mushrooms and fungi growing in woodland areas.

SF organises walks and lectures, and exhibits at public events such as environmental festivals. Most of these public events are free and open to the general public, and are held in public places such as parks and town and city centres.

It has three part-time employees who organise the programme of activities, lead some of the events and deal with the day-to-day management, administration and operation of SF. Other SF events are led by independent contractors paid on a per-event basis.

SF has been struggling to generate sufficient income to sustain its activities and the board of trustees has formed a working party to suggest a plan of action to increase income by at least 20% per year over the next five years.

Ideas put forward by the working party include:

1. A review of staffing needs at SF.
2. Commercial sponsorship of public education events organised by SF. The Bigg Mushroom Company ('Bigg') is a major commercial grower and supplier of edible mushrooms. Bigg wants its name and logo to be used prominently in all SF's literature and communications, not just event publicity. It also wants to have representatives at sponsored events selling its products and services. It has offered to give SF 2% of the net proceeds of all sales made at events and intends to display notices and banners on its stalls indicating that purchases will support SF financially.
3. Moving SF's current deposited funds from its bank deposit account to a special investment fund for charities provided by a different bank, the Riche Bank PLC ('the bank'). The bank wants to have full discretion over the management of these funds as it assures SF this will enable it to maximise income by reacting swiftly to investment market opportunities.
4. Charging people for entry to all SF-organised events.

Evaluate the potential impact and implications of the ideas put forward by the working party.

(15 marks)

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The page contains 26 evenly spaced horizontal black lines, providing a template for writing.

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**TOTAL FOR SECTION C = 45 MARKS**

**TOTAL FOR PAPER = 100 MARKS**

*The scenarios included here are entirely fictional. Any resemblance of the information in the scenarios to real persons or organisations, actual or perceived, is purely coincidental.*

**END**

**Do not write on this page – examiner use only**

**Section A**

**Question**

1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
<b>Total</b>	

**Section B**

**Question**

11	
12	
13	
14	
15	
16	
<b>Total</b>	

**Section C**

**Question**

17	
18	
19	
<b>Total</b>	

**Total marks for paper:**

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Marker (full name):

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Reviewer (full name):

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Clerical check (full name):

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Examiner review:

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