

Charity News

October 2011

Accounting changes

The Accounting Standards Board (ASB), as previously reported, is suggesting making changes to the accounting framework affecting small and medium sized charities from 2013 onwards.

If these changes go ahead as planned, there will be a significant impact on the charity sector. The main change being that the charity Statement of Recommended Practice (SORP) will require updating.

More information on the planned changes can be found on the Charity Commission website.

The charity SORP committee have agreed that the current SORP 2005 will remain in place until the plans for UK accounting are finalised.

The Accounting Standards Board has decided not to issue separate guidance for public benefit entities (PBEs) as has previously been suggested. At a board meeting on 29 September 2011, the ASB decided instead to amend the draft Financial Reporting Standard for Medium-sized Entities (FRSME).

Charity Commission Risk Toolkit

The Charity Commission has issued the final document in its compliance toolkit which covers "holding, moving and receiving funds safely in the UK and internationally".

The whole guidance, which has been recently updated due to the introduction of the Bribery Act, is available on the Charity Commission website.

Strong financial controls

In these extremely difficult financial times, it is even more important to have strong controls in place to help

protect and safeguard the assets of your organisation.

A few of the many areas that you should be reviewing and monitoring are as follows:-

- Many charities receive grant income, some of which is subject to restrictions or conditions. If these restrictions and conditions are not strictly adhered to, it has been seen that grant providers are seeking to claw monies back either partially or in full. It is important to ensure that all the conditions of the grant are met, the conditions are completely understood, any reports required are submitted on time and correct accounting records are maintained.
- With income being hard to come by for a lot of charities, trustees are considering ways of diversifying to attract other income. It is important to consider the tax and VAT implications of this income and to also ensure that the governing document allows the organisation to receive such income or carry out the new activities.
- Budgets and forecasts should be prepared and reviewed regularly at board meetings. It is also imperative that the trustees receive timely and reliable accounting information with all variances against budgets reviewed to ensure trustees understand how they have arisen.
- Whilst charities are experiencing challenging conditions, it is important to remember that staff and volunteers may also be experiencing financial

difficulties. Controls in place for the authorisation of expenditure and accounting for cash should be reviewed to ensure that any risks are mitigated.

- Charities experiencing tough financial times should be meeting regularly to discuss the performance of the charity with any decisions minuted accordingly.

These are just a few of the areas that should be reviewed and if any further advice or assistance is required please contact us.

Immediate legacy payments

A new organisation, The Legacy Fundraising Corporation, has been set up to assist charities to cover the delays that may arise in receiving legacies.

The principles of this organisation are to loan to charities the money they are due to receive from legacies.

Sometimes the time it takes for charities to receive the legacies they are entitled to can be 12 to 18 months from notification to final receipt of funds.

They will loan up to 75% of the legacy from a minimum of £25,000 in return for a "very low interest rate". The organisation will advance the loans when confirmation has been received by the charity that the legacy is due and on assessment of the charity.

Auto enrolment 2012

From October 2012, all employers will be required to enrol all "qualifying employees" aged 22 to state pension age into either a company pension scheme, designated as a Qualifying Workplace Pension Scheme

(QWPS) or into the National Employment Savings Trust (NEST). Employers are being encouraged to commence preparing for this now.

The government have still to issue the draft legislation encompassing these new rules; however it is envisaged that all the recommendations coming out of the independent review will be brought in.

Automatic enrolment will commence in October 2012 for the largest employees and will end with those employers with fewer than 50 employees.

For further information please speak to Dan Smith of the Ensors Financial Planning team.

Filing charity information online

The Charity Commission has been working on ways of providing guidance to charities to encourage them to file information on line.

All charities with income greater than £10,000 must complete an annual return and all charities have to update the Register of Charities with any changes. From 2011, all charities are being asked to file information online, via the Charity Commission's website.

In 2010, 86% of charities submitted their Annual Returns and update information online.

The Charity Commission has issued a video providing all the necessary information and steps to submit information online. As well as the video, the Charity Commission has also re-designed the Annual Return and enhanced its online written guidance.

The Charity Commission aims to provide all its services online by 2012.

Cheques remain

The Payment Council announced on 12 July 2011 that "cheques will continue for as long as customers need them". It had been planned to cease allowing cheques to be used in 2018 but this date has now been cancelled and cheques will remain available to be used for the foreseeable future.

The Government are insisting that having listened to people who

continue to use cheques, that any alternative to cheques must include a paper based system. Currently no alternatives have been made available for review.

Independent Charitable Schools and public benefit

The long awaited judgement in the Independent Schools Council's judicial review of the Charity Commission's public benefit guidance was published on October 14th.

The Upper Tribunal has confirmed the Charity Commission's view that educational charities must operate for the public benefit and must make provision for the poor to benefit from the charity. However, the Tribunal said that the Commission's guidance was not clear and should be amended.

The Tribunal said "it is for the charity trustees of the school to address and assess how their obligations might best be fulfilled in the context of their own particular circumstances". It also said "this is a matter of judgment for the trustees" and "there will be one or more minimum benefits below which no reasonable trustees would go but subject to that, the level of provision and the method of its provision is properly a matter for them and not for the Charity Commission or court".

The Charity Commission has already begun amending the relevant parts of its guidance in relation to public benefit in light of this decision.

Whilst this decision is confined to the context of these educational charities, there may be implications for other charities. It is therefore important that all charities review the ruling of the Upper Tribunal and review their assessment of how they meet the public benefit requirement.

For further information please visit our website

www.ensors.co.uk/specialist-sectors/charity-not-for-profit.aspx

VAT and cycle to work scheme

HMRC is expected to announce in the near future that the new salary sacrifice rules outlined in H M Revenue & Customs brief 28/11, which affected (amongst others) those on the cycle to work scheme, will only apply to people joining that scheme after 27 July 2011.

This means that for those employees who joined the scheme prior to that date, salary sacrifice payments should remain VAT-free, even after the new rules come into place on 1 January 2012.

For further information please speak to Stewart Henry, Ensors Charity VAT specialist.

Charitable Incorporated Organisation

Further delays are expected to the implementation of the Charitable Incorporated Organisation (CIO) with Spring 2012 now being suggested as the likely commencement date.

The Charity Commission has been ready for some time to begin registering CIOs but secondary legislation still has to be agreed by Parliament and this is said to be causing the delays.

Contact

For further information regarding any of the matters discussed please call your usual Ensors contact or the charity team leader:

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