



Charities and Not-for-profit **Plus**

More than 2,000 charities and community groups face cuts

More than 2,000 charities and community groups are facing budget cuts as local authorities reduce their funding – or in some cases completely withdraw it – according to research published by False Economy. The research, based on 265 Freedom of Information responses from local councils across England, shows that one year on from the launch of the Big Society, many charities and voluntary groups face deep funding cuts.

The False Economy research shows that charities face net funding reductions of more than £110 million this year, though the final figure is likely to be far higher given that some large authorities have not yet finalised where the cuts will hit.

The list of charities facing funding cuts includes:

- 112 adult care charities.
- 142 elderly-related charities.
- 382 children's and young people-related charities.
- 151 disability-related charities.

HMRC charity statistics

According to HMRC the charitable tax reliefs provided by them increased from £3.22bn in the tax year 2009/10 to £3.34bn in 2010/11.

This was made up of £2.56bn (09/10 £2.48bn) of reliefs to charities and £0.78bn (09/10 £0.74) of reliefs to individuals.

The reliefs to charities is made up of £1.1bn (09/10 £1.03bn) tax repayments which includes gift aid, £1.16bn (09/10 £1.14bn) in business rates relief payments, VAT £0.2bn (09/10 £0.2bn), Study Duty Land Tax £0.1bn (09/10 £0.11bn).

The reliefs to individuals is made up of £0.34bn (09/10 £0.32bn) inheritance tax, £0.35bn (09/10 £0.33bn) higher rate relief on gift aid and covenants, £0.03bn (09/10 £0.03bn) payroll giving, £0.06bn (09/10 £0.06bn) gifts of shares and property.

Visit the HMRC website at www.hmrc.gov.uk to see the full statistics.

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Action for Academies – VAT and Academies

From September 2011, a new scheme will be put in place (subject to the passage of legislation) that allows Academies to recover non-business VAT directly from HMRC.

An Academy should already be registered for VAT with HMRC if it has a taxable turnover over £73,000 a year (the current HMRC threshold). If an Academy has taxable turnover below the threshold, it can still register in order to reclaim its non-business VAT under the new system.

For those Academies that have no taxable turnover, or choose not to

register with HMRC, arrangements will be made by HMRC for it to recover its non-business VAT by filing an alternative return.

For those Academies that are not required to register for VAT online there is no action to take at present. However, Academies should be keeping records of their business/non-business split of VAT.

If you would like to discuss any of the issues raised in Charities and Not-for-profit Plus, please contact **Wendy Bambrick** on **(01727) 869141** and visit our website **www.mercerhole.co.uk**.

Public benefit reporting

On 4 July 2011 the Charity Commission reported on independent research commissioned by themselves.

Public benefit reporting is about explaining:

- What a charity's aims are and how it carries them out.
- Who it seeks to benefit.
- How people are benefitted.

The research, which was undertaken by Sheffield Hallam University, assessed how well registered charities are dealing with the requirement, introduced in 2008, to report on public benefit in their Trustee's Annual Report.

Research has found that charities need to do more to describe how people benefit from their work.

Many charities are missing out on the opportunity to explain how their work has a positive impact on their beneficiaries.

It was found that, in general, trustees are able to explain their charity's aims and who benefits, but they are less successful in explaining how people have benefitted.

Charities with over £500,000 total incoming resources were successful in public benefit reporting, with 94% partially or fully addressing public benefit reporting, but there is room for improvement in smaller charities.

Full statistics can be found at **www.charitycommission.gov.uk** and copies of the report can be obtained by contacting the Charity Commission's press office.

Charity Commission publishes risk information for small charities

On 21 June 2011 the Charity Commission published its risk information for small charities online.

The new pages provide ten questions that small charities should ask themselves to avoid problems. For example:

- Is the charity working in line with its governing document?

- Are trustees properly appointed?
- What are the main things that could cause problems for the charity?
- Are the accounts and the trustees report prepared?



Further questions can be found at **www.charitycommission.gov.uk**.

Revised model governing documents

The Charity Commission has recently launched updated versions of its model Articles of Association, Constitution and Trust Deed.

These now include updated provisions for benefits and payments to trustees and those closely associated with them. These provisions are also consistent with the C10 model constitutions.

The Charity Commission feel that the revised governing documents allow charity trustees to run their charities in a flexible way, subject to a range of controls which reflect

sound operational practice. The revised documents can be found at the Charity Commission website.

Charity Commission publishes last chapter of trustee toolkit

The Charity Commission has recently published the final chapter of 'Protecting Charities from harm', the online compliance toolkit for charity trustees.

This latest toolkit is the final in a series of online documents published on the Charity Commission's website that offers help and guidance on variance issues. This current issue 'holding, moving and receiving funds safely in the

UK and internationally' helps to explain the importance of safeguarding monies in charities.

Whatever the charity, the trustees are legally responsible for ensuring that

money is correctly used for legitimate charitable purposes and that any associated risks are minimised. The toolkit provides practical tools for trustees in order to help them meet their legal duties.

Charities – challenging times ahead

With the ongoing difficult financial conditions and the implementation of austerity measures, charities whose fortunes are tied to the public sector can expect more turbulent and challenging times ahead.

A recent survey carried out by the National Council for Voluntary Organisations suggests that the 'perfect storm' that hit charities over the past few months (falling income, higher costs, higher levels of demand from beneficiaries) is still a real issue. The majority of organisations saw their financial position worsen last year and expect it to get even worse over the next year; and almost all still think the economic conditions facing charities will be negative for the next 12 months. Despite this, the survey finds signs of some confidence in that charities expect to maintain or increase the services they provide, over the next quarter, despite decreasing or static expenditure.



Charities who have prepared for these ongoing tough economic conditions and have acted decisively, may find themselves better placed to weather the storm. Unfortunately, however, despite cutting jobs and costs, there will still be charities facing insolvency. In an insolvent situation it becomes the responsibility of the trustees to

put the interests of creditors ahead of the charity itself and seek professional advice, most likely from an Insolvency Practitioner. We give a recent example of an innovative solution utilised by the Restructuring and Insolvency team at Mercer & Hole to rescue a charity and avoid disruption for 300 vulnerable people.

If you would like to receive our full case study, please contact **Natalie Clare** on **01727 869141**, or alternatively email natalieclare@mercerhole.co.uk.

Complimentary accountancy advice sessions at the Hertfordshire Sustainable Funding Fair

Mercer & Hole will be at the Hertfordshire Sustainable Funding Fair on Wednesday, 12 October 2011.

Our team of charities and not-for-profit experts will be in attendance to answer your questions on accounting issues affecting your sector and how you can make your funding work best for you.

Whether you are seeking to start a charity, have run one for some years, or represent a funding organisation, come to meet us in the main function room where we would be happy to answer your general questions, or for more specific advice, one-to-one, please book a complimentary advice session.

We know the charities and not-for-profit sector sees constant changes with regard to accounting and law and our specialists are well placed to offer expert and independent advice to you. We currently act for a wide variety of charities and not-for-profit organisations, big and small, and our experts attend regular training courses to ensure our knowledge is completely up-to-date.



To book your complimentary session, please contact Natalie Clare on 01727 869141, or alternatively email natalieclare@mercerhole.co.uk.

Would you like to receive more information from Mercer & Hole? We produce a range of publications throughout the year, including Tax Plus and SME Plus, if you are interested in receiving either of these publications or an e-version of this publication, please email natalieclare@mercerhole.co.uk.

About Mercer & Hole

Whether you are a business or charity, an individual or representing your family in seeking assistance, the Partners of Mercer & Hole can help you with much more than standard accountancy or tax compliance. We take the time to understand our clients' current situations and their future aspirations, and we aim to provide a very personal service tailored to their specific requirements. We achieve the highest standards of technical excellence, but what we believe singles us out is our passion and determination to exceed our clients' expectations.

Our personal, partner-led service extends far beyond the UK, as Mercer & Hole is a founding member of TIAG (The International Accounting Group), a

global alliance of high quality, independent accounting firms, which has more than 100 member firms based in over 60 countries. We use the Group, or its sister network, TAGLaw, whose members include over 150 law firms based in nearly 100 countries, at least once a week responding to both the business and personal issues of our clients.

This newsletter will give you an insight into the firm and you can find out much more by visiting our website at www.mercerhole.co.uk. The site includes full details of the services we offer, and also provides visitors the opportunity to subscribe to our blogs, which offer regularly updated comment and solutions to topical issues facing organisations and individuals.

This newsletter is a short selection of items extracted from complex legislation. Further specific advice on any matters referred to must be taken at all times. The information is given for general guidance only and publication is without responsibility for loss occasioned to any person acting or refraining from acting as a result of the information given. No part of this publication may be reproduced without the prior permission of Mercer & Hole.

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