Garbutt + Elliott

charityaid

FOR CHARITIES AND NOT-FOR-PROFIT ORGANISATIONS

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IN THIS ISSUE

Could You be Missing out on Gift Aid?

BY: **LAURA MASHEDER** *SENIOR CHARITIES MANAGER*
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The Gift Aid Small Donations Scheme (GASDS) allows eligible charities and Community Amateur Sports Clubs (CASCs) to claim the Gift Aid top-up from HM Revenue and Customs (HMRC) on small cash donations under £20 where no declaration has been provided by the donor.

This scheme has been in place since 2013 and is well taken up boosting Gift Aid claims of most charities by £1,250 per year. From 5 April 2016 the annual limit was increased from £5,000 per year to £8,000 per year which increases the top up to £2,000.

However, there are provisions which are less well exploited for a single charity to claim multiple top up payments relating to collections held in "community buildings". You can claim a top-up payment on small donations collected during charitable activities held in a community building, for example a church, a cathedral, a town hall, a mosque, a synagogue or a village hall. Be aware that there are rules around record keeping and the nature of the events in the community building. There is, however, no limit on the number of eligible community buildings that a charity carries out its charitable activities in.

For example: A local animal shelter collected £8,000 in collection boxes placed in shops around town, collected £5,500 in small donations during monthly charitable activities held in a village hall and £3,200 donations collected during charitable activities held every other month in a local church hall. The charity could claim top-up payments of £4,175 on all three collections.
For further advice, please contact Laura.

Innovators in Finance

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Social Investment Tax Relief (SITR) was introduced in 2014 in a bid to encourage individuals to support charities and social enterprises by helping them to access new sources of finance.

Since April 2014, any registered charity, Community Interest Company or Community Benefit Scheme with fewer than 500 employees and gross assets of no more than £15million can use SITR to raise funds for various projects from individuals with a social conscience but also and more importantly, from high net worth individuals who are attracted by the 30% Income Tax relief. It was billed as the first scheme of its kind in the world to incentivise social investment through the personal tax system.

Despite the appeal of SITR to both charities and investors, there has been a disappointing take-up so far.

By the end of 2015, it is believed that fewer than 15 investments had clearance with just over £500,000 invested into qualifying businesses during 2015. 2016 is more promising with over 50 outstanding applications for SITR eligibility pending.

There are some success stories, of course. The first SITR project was in Bristol with the charity FareShare South West, which tackles food waste by giving surplus food to vulnerable people. It was set up by social impact investment company Resonance, which launched the UK's first large-scale SITR fund. This fund reached its first close of £1.3million in February 2016.

There is certainly evidence to suggest that the Government is trying to encourage take-up of the scheme. Big Society Capital, the independent social investment institution, has launched GET IT, a free package of support to help organisations use SITR, as well as Good Finance, a website to help improve access to information on investment and finance for charities and social enterprises.

But is it enough? Does the current limit of £344,827 over three years justify some of the UK's larger charities targeting SITR as a revenue stream when other, more traditional funding sources are perhaps easier, quicker and cheaper to pursue? Not forgetting of course, that turnover and employee limits will mean the largest charities are excluded from this scheme anyway.

For more information, please contact Nigel.

VAT Refund Scheme
for Museums + Galleries

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The VAT refund scheme for museums and galleries was introduced in 2001 and is aimed at supporting the provision of free access to museums and galleries. The scheme allows certain museums and galleries to recover VAT incurred on most goods and services purchased in order to grant free rights of admission to their collections.

As of 16 March 2016 the eligibility criteria for admission to the scheme has been widened. From that date museums and galleries that meet the following conditions can apply:

- Be open to the general public for at least 30 hours per week, without exception
- Offer free entry, without prior appointment
- Hold collections in a purpose built-building
- Display details of free entry and opening hours on the museum website

As part of the application process museums and galleries are required to complete a strategic business case, including:

- Proof of Arts Council England Accredited status (or equivalent)
- Past and/or projected visitor figures
- Information on existing and planned education programmes and community engagement work

For more details or help with the application process please contact: Alex.

The Charity Commission Remind Trustees of their Financial Responsibilities

BY: **ALAN SIDEBOTTOM** *PARTNER*
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The Commission has updated key charity finance guidance "to show clearly that trustees are ultimately responsible for their charities' finances."

The guidance has previously been issued but was revised and re-issued to reflect today's social and economic climate to better reflect current challenges in the sector. To demonstrate best practice and robust governance, trustees and management teams are advised to read and adopt the recommendations to ensure they are fulfilling their legal responsibilities.

The three pieces of guidance which have been re-issued are:

"Managing a charity's finances: planning, managing difficulties and insolvency"

(CC12) – the key recommendation is that trustees review the financial position of their charity on a monthly basis, although the Charity Commission do acknowledge that the nature and extent of this review will depend of the size and financial position/stability of the charity. The guidance makes it clear that the expectation of the Commission is where charities have to close there will be a managed wind-up.

"Charity reserves: building resilience"

(CC19) – this guidance acknowledges that there is no "right" level of reserves or even a suitable range which is appropriate for all charities. The key message to trustees is that they must develop a reserves policy that fully justifies and clearly explains keeping or not keeping reserves and keep that policy operational and under review during the year. Where a charity has a level of reserves below that of its policy the Commission is clear that it expects trustees to address and manage this.

"Charity governance, finance and resilience: 15 questions trustees should ask"

The guidance around trustees' meetings has been updated to reflect the current economic and social climate.

For more information on this subject, please contact Alan.

New Model Gift Aid Declarations

BY: **LAURA MASHEDER** *SENIOR CHARITIES MANAGER*
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Gift Aid Declarations provided by HMRC were updated in September 2015 using clearer and more understandable language after lobbying by the sector and the accountancy profession. It was felt that the old wording was confusing; including references to Council Tax and VAT, and may have been preventing some donors from providing a Gift Aid Declaration.

HMRC has recently revised its model Declaration form, and confirmed that a valid Gift Aid Declaration must now contain the following information:

- The charity's name
- The donor's name and home address
- An indication of whether the declaration is to cover past, present or future donations or just a single donation
- A statement (which can be included as a tick box) that the donor intends to make the donation under Gift Aid
- A statement that the donor is a UK taxpayer and that they understand that if they pay less income tax and/or capital gains tax in the current year than Gift Aid claimed, it is their responsibility to make up the difference.

The updated wording should be used from 6 April 2016 and the template wording can be found at https://www.gov.uk/guidance/gift-aid-declarations. Charities are however free to design their own Gift Aid Declarations as long as they include all the required elements.

Declarations made before 6 April 2016, for existing donors who use the old wording, do not need to be changed or updated. Also by way of a concession HMRC has agreed that where stocks of printed materials ordered and printed before 21 October 2015 are still held charities may use this up rather than be forced to dispose of them.

For further advice, please contact Laura.

Cyber Risks and Charities

BY: **NIC HINDLE**
DEVELOPMENT EXECUTIVE
at ARTHER J GALLAGHER

The voluntary sector is often targeted for its data and there is evidence of breaches occurring. One way hackers can try to access your network is through security patches that have expired, hackers will watch sites whose security patches have not been properly updated and strike when they see a weakness.

You may not even be aware that the attacker has accessed your system and is silently gathering information from your network waiting for the right opportunity to exploit the knowledge they have acquired.

A method of testing your network is to engage with a specialist penetration testing organisation to try to replicate the hacker's possible approaches to see if access can be gained and data possibly stolen.

Often attackers will try to find the simplest method of getting into your systems which may not always be by trying to break through perimeter defences. Staff or authorised volunteers may inadvertently open up a rogue email or a link that provides attackers with a gap in the defences and access into the system. Legitimate users need to be briefed on looking for suspicious emails and escalation protocols within the charity if they are concerned.

So:

1. Determine what assets you want to protect and how your current cyber security matches up to it. Speak to the specialists for guidance.

2. Detection is better than cure, build awareness through training for your work force and volunteers.

3. Talk to your insurance broker around risk management input and insurance solutions.

Technical SORP Update

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An update Bulletin detailing amendments to SORP for charities applying FRS 102 was published on 2 February 2016. The bulletin covers changes to the SORP to bring it into line with underlying changes in FRS 102 and is effective for periods beginning on or after 1 January 2016.

It may however be early adopted for periods beginning on or after 1 January 2015 which is especially beneficial to small charities who are now able to adopt the FRS 102 SORP without producing a cash flow.

The most significant changes in the amendment include:

- It confirms the definition of larger charities as "charities with an income of over £500,000", rather than being linked to the moveable audit threshold.
- Only larger charities will be required to prepare a statement of cash flows.
- Revision of the maximum period over which goodwill and other intangible assets may be amortised from five to ten years.
- The reversal of historical impairment losses for goodwill has been prohibited.

While the bulletin acknowledges the withdrawal of the FRSSE it doesn't state that charities falling within the small company regime are not allowed to use the FRS102 section 1A disclosure exemptions. However, in reality the 1A exemptions would be of limited benefit as the SORP requirements have force of law and would specifically require much of the exempted disclosure.

Cancer Support Yorkshire appointment

Our specialist charities department has been appointed as auditors by Cancer Support Yorkshire.

As part of the appointment, we will prepare and audit the charity's accounts ahead of it producing its annual report.

Tracy Wheatley, finance manager at Cancer Support Yorkshire, commented: "We're delighted that Garbutt + Elliott has been appointed as auditors as the firm has a great reputation for efficiency, and its charities team's experience is well known.

"Naturally, financial transparency is paramount for a charity and I'm confident that our accounts will be audited professionally by the charities team."

Our charities and not-for-profit team provides high quality professional advice and support for over 100 clients including Yorkshire Agricultural Society, Saint Michael's Hospice and Square Chapel Trust.

The specialist team offers a broad range of services for its not-for-profit clients including advice and support for VAT, gift aid, risk reviews, grant audits and business plans.

Ian Pickup, Partner at Garbutt + Elliott commented: "Working with Cancer Support Yorkshire provides us with a great opportunity to showcase the charity and not-for-profit team's range of expertise. The appointment also demonstrates our commitment to developing further within the charity and not-for-profit sector.

"The charity undertakes vital work in the practical and emotional support of those affected by a cancer diagnosis, and we're very happy to be working with them."

Charity Mergers : Why carry out Due Diligence?

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Due diligence, a term usually associated with the corporate sector, is a process each organisation takes to assure themselves that a merger of charities is in the best interests of all concerned. The work is often carried out with professional advice from accountants, solicitors and other professionals, although trustees with adequate experience can play their part.

Why carry out due diligence then?

The answer is getting the merger wrong without knowing your future partner can be onerous and costly in many ways. Different cultural approaches (often the main reason for an unsuccessful merger), disagreement on who will be the Chair and Chief Executive, and not having a clear reason for merging are all deal breakers. Certainly pension deficits are a reason for some mergers not getting off the ground. Changing the legal status of the employer via a merger can result in the liability for the deficit on a final salary pension scheme being transferred from one charity to the new charity employer. Often this results in the new employer rejecting the deal.
So let's look at the 3 key areas of due diligence:

- Strategic and Operational
- Legal
- Financial

Strategic and Operational
Strengths, weaknesses, opportunities and threats analysis via board minutes and the strategic plan can give an overview of what a charity is taking on in the merger. Other issues to address include:

- Compatibility of cultures
- Fundraising approach of each party
- Quality of senior executive staff and the non-exec trustees
- Compatibility of the 2 IT systems
- Does the merger make sense

A review of the risk registers can identify further issues to consider

Legal
Legal due diligence is the domain of the lawyers covering, amongst other areas, governance arrangements, compatibility of the charities' objects, contracts of employment, TUPE issues (high risk area) and disputes amongst others.

Financial
Being happy about the assets and liabilities it is taking on is essential to the transferee charity. The recent financial history of the charity, its management information and accounting systems, its accounting policies, any issues of concern in the auditor's management letters or in the trustee minutes are key areas to be looked at.

Particular areas of risk are insurance and property. Pensions, however as highlighted above, should be looked at very closely.

If all material aspects of due diligence are covered, trustees can have confidence in completing the merger, knowing they have taken their responsibilities seriously.

For further information, please contact Ian.

DOING our Bit

Last year we raised £11,000 in total for our charity partners, as well as carrying out over £25,000 of pro bono work for charity clients. However, this year we're determined to raise more money than ever before.

As well as running the Leeds and York 10K races, we're planning on organising bake sales, a charity horse race night, a car wash and dress-down days throughout the year.

Lizzie Sanders, fundraiser at The Yorkshire Haven said: "We're very happy to have been chosen as one of Garbutt + Elliott's charity partners for 2016. The Haven doesn't receive any government contributions, so all of our funding comes from generous donations.'

Donations are essential to ensure that we can continue to offer our vital services and help disabled children and young people.

The Haven is a Leeds-based breast cancer support centre which is part of the wider Haven charity with a number of centres across the UK.

Natalie Barnes, chair of the board of trustees at Special Stars Foundation, said: "We currently support 190 families in Hull and East Yorkshire, with new families joining all the time. Donations are essential to ensure that we can continue to offer our vital services and help disabled children and young people. Garbutt + Elliott raised a really impressive amount of money last year, so we are thrilled that they have chosen Special Stars Foundation as a partner and we're very excited to see what they have planned this year."
Special Stars Foundation supports children and young people with disabilities and their families in Hull and East Yorkshire.

Garbutt + Elliott