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Building a Legacy



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As charitable legacies continue to rise, Nigel Shaw, Charities Partner, considers what smaller charities can do to claim a larger slice of the pie.

According to the latest data by Smee & Ford, charitable legacies rose by 8 per cent in 2014 to £2.208 billion, compared to £2.044 billion in 2013.

Crucially, the average proportion of estates left to charities also grew – up from 15.8 per cent in 2013 to 16.65 per cent in 2014.

These trends, of course, are extremely positive for charities and they go some way to demonstrate the potential of legacies as a revenue stream for charities of all sizes. Smee & Ford's data shows that 112,937 donations were left by almost 35,000 donors in 2014 and the number of charities benefiting from donations rose by 5 per cent to 2,257.

It is very difficult of course to attribute specific growth to any individual reason, but charitable legacies have undoubtedly

soared since the introduction of inheritance tax relief, introduced by the Coalition Government back in 2012, which enable executors to pay a reduced rate of inheritance tax – 36 per cent instead of 40 per cent – if 10 per cent or more of the estate is left to a charity.

Securing legacies

Of course, for any charity to benefit from this growth, they must have the correct processes, systems and infrastructure in place. Smee & Ford report that just over 2,200 charities benefited from legacies in 2014, but this is only a fraction of the 165,000 registered charities in England & Wales.

Clearly the larger organisations do well from legacies, with bigger marketing budgets, greater resource and nationwide recognition. It is not an exaggeration to say that national charities currently monopolise legacies.

Regional charities won't have this same clout, of course, but there is still plenty that can be done to encourage legacy donations from your supporters and get a bigger slice of the legacy pie.



If you don't already have one in place, a comprehensive legacy policy is a must. There is some excellent guidance on the Gov. UK website, including links to the Institute of Fundraising which covers ethical considerations, how to communicate with the public and special groups for sharing ideas.

Above all else, make use of all marketing channels; make sure legacies are promoted on your website, in newsletters and any other written communication, because often supporters won't even be aware of it – let alone the potential tax benefits introduced in 2012.

Controversy and ethics

Legacies can be an extremely sensitive subject and we are all aware of the controversy over charities "chasing" bereaved

relatives for gifts. However, it should not put any charity off. With a £2 billion pot available from almost 35,000 charity supporters, legacies continue to be an extremely valuable source of income for charities. And with evidence to show that the legacy pot is growing – together with the legacies themselves as a percentage of estate – the opportunities will continue to grow.

Don't be afraid to engage with your supporters in a sensitive and caring manner; it may even reduce their family's Inheritance Tax liabilities – a 'win-win' situation.

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The cause of Brexit? – what's next for charities?



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Six months on from the decision by the UK to withdraw from the EU, issues are still unclear.

Recently Oxfam produced a report claiming that 'the staggering social inequality in the UK contributed to Brexit', quoting research that concluded 634,000 of the population in the UK are worth 20 times as much as the poorest 13 million.

This huge inequality, Oxfam suggested, led people to feel disconnected with the political process especially in areas of high unemployment, where the Brexit vote was pronounced. Others concluded it was the natural order of things that the bottom half of society owns close to zero in wealth.

Whatever your views these are stark figures. However, the charity sector has to deal with the aftermath of the Brexit decision, like it or not. An optimistic view of the future of the sector is the only way forward, starting with funding from Europe.

Whilst charities currently receive £200m from EU funds each year, which is understood will disappear once we exit the EU, this figure is only 0.5% of the annual total income of the voluntary sector, which is estimated at around £40billion.

Annual reductions in funding from local authorities in some northern cities have been significantly greater than 0.5% in recent years which the sector has managed to cope with, albeit with difficulty.



The euro compared to the pound was 77p just before the vote. Since then the pound exchange rate has devalued and the euro was 89p on 21 October, but has recovered at the end of November to 85p. Looking back in early June 2015 the euro was only 70p but two years earlier the euro was 86p. Clearly we coped with currency swings then and we can now.

Moreover Teresa May seems to be battling hard for the UK to remain in the single market, which should reaffirm the markets.

So what can charities do?

Maintain close relations with local authorities, lobby by highlighting issues affecting their beneficiaries

in the event of a snap election and be comforted slightly by the Chancellor's pledge to ditch George Osborne's target to get the UK's finances into surplus by 2020, meaning the programme of austerity measures may be cut back to a limited degree going forward.

It was the conservative party, wasn't it, who got the country into its current position, by offering the country a referendum. They are unlikely to alienate the electorate further going forward if they want to remain in power.

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Charity activities + VAT



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Whether an activity is a business activity or not affects the VAT treatment of both charity income and charity costs. The distinction between a business activity and a non-business activity can be unclear when a charity provides a service for payment but the payment does not cover the cost of providing the service. In a recent case, Longridge on the Thames [2016] EWCA Civ 930 (Longridge), the Court of Appeal considered this issue in the context of the charity.

The primary activities of Longridge are the provision of water-based and other outdoor activities (for both recreational

and educational purposes) and the giving of instruction in how to undertake such activities. The charity is not registered for VAT and makes a charge for the facilities, but the charge may be adjusted to meet the ability of the end-user to pay.

The issue was whether VAT at the standard rate was due on the construction costs of a new training centre or whether the construction costs should be zero-rated on the basis that the building was intended to be used for non-business purposes.

The Court of Appeal decided that the building was intended for business use and the construction costs were therefore subject to VAT at the standard rate. The

following points are relevant to the Court of Appeal decision and should be helpful to other charities when considering whether an activity is a business activity of not:

- i) Longridge supplies services for payment
- ii) Longridge's supplies are "permanent" as part of an established activity, regularly carried on;
- iii) There is a direct link between the supplies of service and the payment;
- iv) The supply of services for payment on a permanent basis is presumed to be a business activity;
- v) Even if Longridge's motive in supplying the services is more concerned with the benefit of the services to those to whom they are supplied, rather than obtaining payment for the services, any such motive would

not alter the objective character of the supply;

- vi) It is irrelevant that the payment for the supply of services is below the market value of the supply;
- vii) There is no factor which rebuts the presumption that Longridge's supply of services is a business activity; the facts that Longridge is a charity and its activities are non-profit making are not of any significance for this purpose.

The Longridge case highlights the fact that whether activities of a charity are business or non-business can affect whether VAT is due on construction costs. Other issues include the VAT treatment of income and recovery of VAT on costs.

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Supporting OCAY



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In December 2015 I was presented with the opportunity to help out at small local charity called Older Citizens Advocacy York (OCAY). OCAY provides support to local residents by helping them speak up for themselves when there is something they want/need to say, whether it is about people's rights, helping to provide access to services or providing advice and assistance with general life issues, to name a few services. OCAY relies heavily on volunteers to perform a variety of roles including advocacy services, fundraising and governance.

The role

The role that I perform is that of "Honorary Treasurer". In this role I have had the opportunity

to prepare and review monthly management accounts, present financial reports at management committee meetings, provide advice on the affordability of new projects as well as highlighting areas where the charity is under/overspending. It has been an enjoyable and useful experience and has allowed me to look beyond the reporting of figures, and actually look at what this means to an organisation like OCAY. In addition, it has provided me with more experience of seeing how charities are run and operate, at a time when Garbutt + Elliott are experiencing growth in their portfolio of charity clients, allowing me to apply this insight in my day to day job as an Audit Senior for a number of corporate and charity clients.

Dorothy Hodgkinson (OCAY's Project Lead) reflects on my time in the role:

"James has provided OCAY with clarity around the whole accounting process, both by producing reports and accounts in plain English for the non-accountants that we are, and by working with staff in the office to streamline our accounts system.

This has greatly enhanced understanding of how these systems work and is enabling us to extract the information we need for future funding bids and end of project reporting with ease. James has offered considered advice and guidance to both staff and trustees in a timely and effective manner which has enabled informed decision making, and as such this has reduced the levels of anxiety often present around our 'accounts' for those of us far less familiar with them.

At the time of James' arrival we were in flux in terms of

trustees leaving and joining the organisation as well as several staff changes within a relatively short period of time. James has created a steadying hand on the financial work within OCAY whilst all these changes have been settling down. James is approachable, has given freely of his own personal time as well as that made available by Garbutt + Elliott, something which we value very highly and are extremely grateful for."

Garbutt + Elliott have supported me in this role by providing me with the time to deliver some of these services as part of the firm's Corporate Social Responsibility commitment. Additionally, I have been able to draw on the knowledge of some of the various charity experts that work at Garbutt + Elliott to provide more complex advice to OCAY.

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Ignition Brewery



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Ignition Brewery, a London brewery that provides fulfilling employment and training to people with learning disabilities, is running smoothly thanks to assistance from Garbutt + Elliott.

As part of the relationship Matthew Grant, director at Garbutt + Elliott and brewing industry specialist, assisted the Ignition team by explaining the complex setup processes, answering questions both from within the organisation and from

third parties, plus advising on how to become an official not-for-profit company.

Speaking about the partnership Nick O'Shea, Director at Ignition Brewery, said: "After working as a volunteer with the Lewisham branch of Mencap I realised that a key objective for many people with learning disabilities was to find a fulfilling job. With that goal,

we set up Ignition Brewery to help our members find fulfilment, make great beers and to earn fair wage.

"The reality of setting up an organisation such as Ignition Brewery was not as easy as one may expect. There were numerous questions that needed answering and requests for information that we were not able to give. Fortunately Matthew Grant and his team were able to take the pressure off us and advised on a huge range of issues whilst we got to grips with starting the business."

Ignition Brewery has now started commercial production and hopes to employ up to ten people with learning disabilities by the end of the year. They will be paid the London living wage.

Matthew Grant commented: "We're delighted to have been able to work with a business

as societally active as Ignition Brewery. The company not only makes excellent beer, it substantially contributes to the local community and beyond. I look forward to working closely with Nick and his team in the future as they continue to grow and take on more staff."

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Proud to be recognised as a Mindful Employer



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Following a meeting with Leeds MIND, we have signed up with the MINDFUL EMPLOYER® scheme and adopted the 'Charter for Employers who are Positive about Mental Health'. Garbutt + Elliott has since rolled out a scheme aimed at opening up the conversation about mental health in the workplace and staying mentally fit.

"At Garbutt + Elliott we are mindful that the workplace can be a stressful environment, and have always done what we can to help our staff to achieve a good work life balance by offering flexible working hours and providing employees with a health care cash plan that offers mental health support.

"When speaking to Leeds MIND it became clear that there was more that we could do – both to encourage those with mental health issues to speak out, and to give our managers the tools they need to help those who do come forward. This is something that larger companies often have in place, but it can be neglected in small to medium sized firms. In



launching the initiative, we are aiming to set the standard for how companies of our size in Yorkshire support their employees' mental wellbeing."

Prior to launching this mental health initiative, we conducted an independent survey of our staff, facilitated by Leeds Trinity University, to gauge awareness of mental health issues and the perception of mental health support throughout the company. Once the results were gathered, we set about creating a culture where people feel they can talk openly about mental health.

A key part of this is ensuring that managers receive training to equip them with the knowledge and confidence to have supportive conversations with their teams, should the need arise. The firm

is also holding taster sessions at its Leeds and York offices to raise mental health awareness and is planning workshops to encourage employees to maintain their mental wellbeing, exactly as they would for physical health.

Explaining the scheme further, our HR manager Chloe Owens said: "This initiative is about encouraging people to be open about their mental health and overcome the stigma associated with mental health issues. We want to create a culture where people feel they can talk openly with their managers about these matters and to ensure that managers are fully equipped for those conversations."

Mental health related issues are the most common reason for long term absences within the workplace across the UK, with sick leave due to mental ill health costing employers in the UK £30 billion per year in lost productivity, recruitment and absence.

The Charter for Employers who are Positive about Mental

Health is a voluntary agreement seeking to support employers in working within the spirit of its positive approach. The Charter is one element of the MINDFUL EMPLOYER initiative which is aimed at increasing awareness of mental health in the workplace and supporting businesses in recruiting and retaining staff.

A wide range of employers from all over the UK are involved in the initiative which gives businesses and organisations easier access to information, practical support, training, networks and assistance from other employers.

This initiative is about encouraging people to be open about their mental health and overcome the stigma associated with mental

MINDFUL EMPLOYER® is a UK-wide initiative run by Workways, part of Devon Partnership NHS Trust. More information at www.mindfulemployer.net

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