

# Robinson Reed Layton Charity Newsletter – Spring 2014



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ACCOUNTANTS  
—and—  
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TAX ADVISERS

## Introduction

Welcome to our Spring 2014 Charity Newsletter. This edition provides an update on various accounting and tax matters and also provides a charity perspective on the recent Budget announcements affecting the sector. We also provide some information about grants currently available.

If you would like any further information then please contact one of the charities team listed on page 4.

**Mark Williams**  
*Charities Director*

## Accountancy

### Strategic reports

New regulations were introduced last year requiring companies with an income in excess of £6.5m to produce a strategic report to accompany the financial statements. This replaces the business review and applies for years ending on or after 30 September 2013. These rules apply to limited company charities and the strategic report should meet three objectives:

- provide a context for the financial statements
- provide an analysis of the charity's past performance
- provide insight into the charity's main objectives and strategies, together with the principal risks it faces and how they might affect future prospects.

For charities the above information is likely to already be provided in the trustees' report and therefore guidance provided by the Charity Commission suggests that the strategic report is incorporated into the trustees report but should clearly signpost which sections constitute the strategic report. It is important that a statement is included that the trustees are also approving the strategic report as directors of the company.

The Charity Commission have issued guidance on this in Information Sheet 5 – the Strategic Report which can be downloaded from their website.

### Charity Commission guidance on Total Return investments

New Charity Commission guidance has confirmed that charities with permanent endowment funds will

no longer need to seek permission to use the total return approach for investments.

The total return approach results in a charity being able to manage funds based on the income generated from dividends/interest and any revaluation gains/losses to generate an overall level of return from investments.

From 1 January 2014 charities need to pass a resolution to adopt a total return policy rather than contact the Charity Commission direct to obtain permission.

Further guidance can be found on the Charity Commission website.

### Statement of Recommended Practice (SORP)

The SORP Committee has recently recommended that a second SORP is introduced, one of which is aimed at small charities. One SORP will be based on reporting standard FRS 102, the other on the Financial Reporting Standard for Smaller Entities.

The new SORPs will be introduced for accounting periods commencing 1 January 2015.

### Related party transactions

The subject of identifying related party transactions has been in place since the initial SORP was introduced in 1995.

Identifying related party transactions can be made easier where potential conflicts of interest are managed well within a charity. It is important for charities to maintain a register of interests identifying trustees other business interests.

# Robinson Reed Layton

## Charity Newsletter – Spring 2014

Charities should also have a process for declaring potential conflicts of interest.

The Charity Commission is currently updating its guidance on conflicts of interest and this is likely to be published in the next few months.

### Other news

#### Charitable Incorporated Organisation

It is now possible for unincorporated charities with income less than £5,000 to set up a Charitable Incorporated Organisation (CIO) and transfer assets into it. New organisations with income less than £5,000 are also able to use the CIO legal structure.

#### Public benefit guidance

Revised public benefit guidance has been published for all charities by the Charity Commission. This consists of 3 guides as follows:

- Public benefit: the public benefit requirement (PB1) – what it means to be a charity.
- Public benefit: running a charity (PB2) – what it means to operate a charity
- Public benefit: reporting (PB3) – what it means to report on a charity's work.

All charities should read this guidance which can be found on the Charity Commission website.

#### Charity deadlines

All charities with income in excess of £25,000 need to file their accounts with the Charity Commission within 10 months of their financial year end.

Although there is no financial penalty for not filing, charities are “named and shamed” on the Charity Commission website for being a late filer.

Incorporated charities must also file their accounts with Companies House within 9 months of the financial year end. A late filing penalty of £150 will be charged if filed up to one month late, with the fines increasing the later the accounts are filed.

A recent survey by the Charity Commission suggests that the 3 out of 4 people donating to charity would not want to give to a charity that had not filed its accounts.

### Pensions

Charity Finance Group (CFG) has stated that it is concerned that small charities are underestimating the time it takes to auto-enrol staff into compliant pension schemes. Many small charities will need to enrol from 2015 onwards. It is recommended that planning for auto enrolment should be at least 9 to 12 months in advance of the staging date.

The CFG have launched a good practice guide which is available on their website.

If you would like to discuss any concerns you have regarding auto enrolment then please contact one of the Charities Team listed on page 4.

### Grants and funding

**The Ideas Factory** is a new initiative by Cornwall Voluntary Sector Forum (VSF) which gives Cornish charities and social enterprises the opportunity to create and develop innovative new services with help and guidance from experienced colleagues.

The main focus is to tackle disadvantage through innovative ideas which can be developed and delivered with the aid of specific mentoring support and collaboration. Proposals should meet perceived service gaps and support disadvantaged individuals with unmet needs, clearly describing what the idea is, what issue it will address, why it is needed and the resources that may be required to make it happen. They should add value and may be about new services or improving existing ones.

There will be between two and four rounds for submission each year and each round will have a main theme. For the first round, the main theme is Young People First.

Ideas for this round should be submitted by Wednesday 14th May 2014.

For further information go to:  
[www.cornwallvsf.org/resources/ideas-factory](http://www.cornwallvsf.org/resources/ideas-factory)

**Social Investment Business Group (SIB)** is one of the UK's largest social investors and has made over 1,300 investments in civil society organisations from under £5,000 to almost £7 million. SIB have a range of investment funds accessible to Voluntary, Community, Charity and Social Enterprise

# Robinson Reed Layton

## Charity Newsletter – Spring 2014

organisations, including The BIG Potential Programme (which includes grants of between £25,000 and £75,000 to undertake more in-depth investment readiness work), the Community Investment Fund, the New SIB unsecured loan fund, Community Assets and Services Grants, Investment and Contract Readiness Fund and Big Venture Challenge.

**The Coastal Communities Fund (CCF)** aims to encourage the economic development of UK coastal communities by awarding funding to create sustainable economic growth and jobs. CCF is a UK-wide programme and the single outcome is that “coastal communities will experience regeneration and economic growth through projects that directly or indirectly create sustainable jobs, and safeguard existing jobs”. Grants of £50,000 and over are available and do not necessarily need to be matched. A wide range of organisations can apply including charities, voluntary and community sector organisations and social enterprises, including cooperatives and community ownership initiatives.

The deadline for stage one applications is midday on 30 April 2014.

### The Budget

As usual the Chancellor’s Budget speech did not make direct reference to the charity and not for profit sector. Some of the relevant announcements affecting the sector are as follows:

#### Stamp duty land tax (SDLT)

It had previously been announced in the Autumn Statement that partial relief from SDLT is available where a charity purchases property jointly with a non-charity. The charity will be able to claim relief from SDLT on the proportion of the purchase price attributable to it. This will come into force when the Finance Bill 2014 receives Royal Assent.

#### Gift Aid and Small charities gift aid

Again it had previously been announced in the Autumn Statement that legislation will be created to enable non-charity intermediaries a greater role in operating gift aid.

The government has confirmed that it plans to encourage more donors to use gift aid when making

eligible donations and encourage smaller charities to register for the reliefs they are entitled to.

Part of this will include HM Revenue & Customs and the Charity Commission working together when registering charity applications.

#### Cultural Gifts Scheme limits

The government will introduce legislation to ensure the Cultural Gifts Scheme (CGS) works as intended in relation to Estate duty. The alteration will ensure that donors of items where there is a potential charge to Estate Duty are not financially better off by donating the item under CGS than selling on the open market.

The combined annual limit for the CGS will also increase from £30m to £40m per year.

#### Air Ambulance and Inland Safety Boat charities

The government will introduce a grant of £65,000 per year for Air Ambulance charities across the UK. The government will also introduce a 5 year grant totalling £1m per year for inland safety boat charities across the UK.

#### Charity donor benefits simplification

The government will review benefits allowed to donors with the aim of simplifying these rules.

#### Community Amateur Sports Clubs (CASCs)

The government has confirmed that it will allow tax reliefs on gifts of cash from companies to CASCs. This should be legislated when the Finance Bill 2014 receives Royal Assent.

#### Repair grants for Cathedrals

The government has confirmed that it will provide £20m for a grant scheme for repairs to Cathedrals in recognition of their role in the remembrance activities to commemorate World War One.

#### Charity based tax avoidance schemes

The Chancellor announced in the budget speech that users of charity based tax avoidance schemes will be required to pay any disputed tax up front. This is aimed at charities such as the Cup Trust, which allowed taxpayers to make a gift to a charity in return for purchasing government bonds at significant undervalue.

# Robinson Reed Layton Charity Newsletter – Spring 2014

## Other news

- The not for profit sector's income dropped by £700m to £39.2bn in the year to March 2012 in real terms, according to UK Civil Society Almanac, published by NCVO and the Third Sector Research Centre. Total sector income fell by around 1.8 per cent.
- The Charity Commission has produced guidance on completing the annual return form for 2014. The annual return needs to be completed by all charities that have an income over £10,000. More information will need to be provided concerning fundraising, payments to trustees, trading and grant making.
- Recent research has shown that 9 out of 10 charities still issue cheques regularly. The Cheque and Credit Clearing Company at the Payments Council has issued guidance with advice on avoiding cheque fraud, which can be found on their website.

## Charity contacts

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