

deeper cuts in funding!

The Government's Comprehensive Spending Review on 20 October confirmed a series of measures that some commentators estimate could cost the charities sector up to £5bn. Many charities provide key public services and rely on public funding. The effects of the economic slowdown have resulted in a rise in demand for services provided by charities, while there has been a decline in statutory and voluntary funding.

Particularly significant to the charity sector is that revenue grants to local authorities will be reduced by 26%.

Recognising that this will have a significant impact on charities, Chancellor George Osborne announced a £100m transitional fund to help charities and other voluntary organisations that have been providing public services. However, while charities have broadly welcomed the fund, concerns have been raised that its proposed 12-month lifespan will not be sufficient.

Chair of the Charity Commission Dame Suzi Leather said cutting funding to charities by up to £5bn in times of economic difficulty was short-sighted and could end up costing the taxpayer more in the long term.

Among the key public services provided by charities are meals on wheels, activities for disadvantaged youngsters, and support and advice

for people seeking work. According to research from the National Council for Voluntary Organisations (NCVO), 78% of charities receive no Government funding at all, but 13% rely on Government funding for more than half of their income.

The cuts come at a time when charity leaders' confidence in their organisations' financial standings is at an all-time low. Research conducted by the NCVO in the weeks leading up to the spending review found that 57% of charities believed that their financial situation would worsen over the next 12 months.

Financial strains on charities are being compounded by the fact that fewer people are donating to charity and doing voluntary work, according to Department of Communities and Local Government. The January 2011 VAT rate increase and the end of Gift Aid transition relief will also increase the pressure on charities' finances.

Many charities will be looking to cut costs, amend their offerings and even downsize their operations. However, with many charities having a reputation for providing cost-effective and user-focused services, the opportunity exists to work in partnership with local authorities and other Government departments to address public funding cuts head on by demonstrating that they offer better value for money to the taxpayer.



Gift Aid online is 'off track'

Proposed plans for a database to allow charities to process their Gift Aid claims online may be delayed according to HM Revenue & Customs (HMRC). Limited funding due to public spending cuts has meant that the proposed development of a new IT system and online filing system for those charities using Gift Aid is now "only one of many important priorities for HMRC" according to a spokesman.

Members of the Gift Aid Forum had hoped that the introduction of an online database and claims filing system would help both HMRC and charities to save money by speeding up and simplifying the Gift Aid claims process. It was hoped the proposed reforms would address

difficulties with standard practice when processing Gift Aid claims, the secure collection of data and concerns surrounding online security.

In a letter to MP Justine Greening, Economic Secretary to the Treasury, the Forum described the charity sector as "thriving" and said it benefited in a variety of ways from the successful Gift Aid scheme. The reforms, it hoped, would allow charities "to maximise the potential of donations in a tax effective way" and modernise Gift Aid "to enable it to keep up with technological and philanthropic developments over the coming years".

According to a sector-led survey

carried out in July 2010, the current mandatory paper declarations required by HMRC for Gift Aid claims create a 'major burden' for charities with administration costs, storage costs, record-keeping costs and the risk of lost claims and errors affecting organisations across the board. The survey also reported that a large percentage of smaller charities were not making Gift Aid claims at all due to the prohibitive administration costs involved.

more need to report success

Charitable organisations are failing to effectively communicate the impact of their work to their donors.

That's according to a report by New Philanthropy Capital (NPC), a charity think tank and consultancy helping charities and their funders to achieve a greater impact.

NPC analysed a random sample of 20 of the top 100 charities by voluntary income, looking at charity impact reports, annual reviews and information contained on websites.

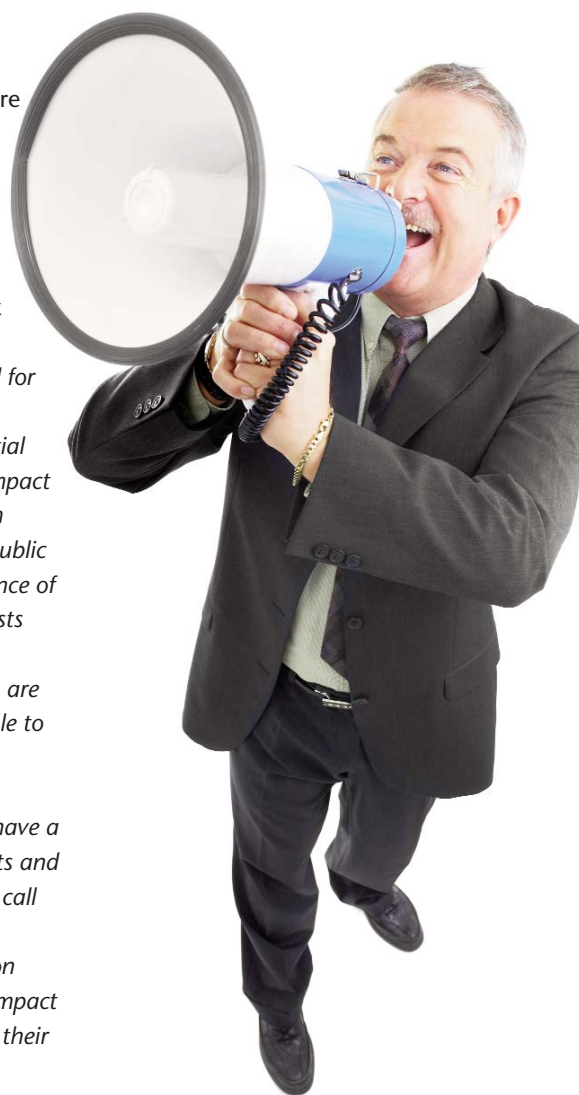
It concluded that many charities were good at communicating who they were and what they did, but were poor at describing the impact of their work on people's lives.

According to the report, talking about results, 93% of charities were effective at outlining their vision and strategy. However, only 65% effectively communicated the problems they addressed and the needs they served, and less than half (43%) provided information about their performance.

NPC is concerned that this failure to communicate will impact on the funds charities are able to raise, in an increasingly competitive sector.

Tris Lumley, Head of Strategy at NPC, told the UK200Group: "We're seeing a growing demand for help from charities that want to improve how they engage potential funders by communicating the impact of their work. As fundraising from trusts and foundations and the public sector increasingly requires evidence of your outcomes, and philanthropists and corporates are also asking questions about impact, charities are accelerating their efforts to be able to clearly talk about their results.

"Professionals advising charities have a big role to play here - accountants and lawyers are often the first port of call for advice, and by being able to signpost their clients to support on measuring and communicating impact they can add significant value to their client relationship."



in brief..

Charities need to do more to attract young trustees, says regulator

A report by the Charity Commission (CC) has revealed that young people are under-represented on charity boards and recommends that charities do more to attract 18-24-year olds to become trustees. 'A Breath of Fresh Air' highlights the fact that just 0.5% of trustees fall within this age group despite positive feedback from young people about the benefits of being a charity trustee. Respondents to a survey by the CC said they believed the role gave them the opportunity to develop skills that they would not usually gain until they were much further on with their careers. The CC has used the research to develop a tool to help charities recruit younger trustees. See <http://snipurl.com/1csewa>

Consultation on House-to-House Collections Code begins

A consultation on an updated Code of Practice is now open to the public for responses. The Institute of Fundraising's House-to-House Collections Code of Practice has been amended to include goods collections, which are often run by both charities and third parties. The Code aims to provide the public with information on how donation-collection schemes are run, and has been reviewed from English, Welsh and Scottish legal standpoints. The consultation on the draft Code closes

on 21 December 2010. View the draft Code at: <http://snipurl.com/1csezl>

Charities risk high fines if they fall foul of telecoms laws

Charities are being warned that they risk high fines if they use automatic dialling technology to reach potential donors. The dialling technology often results in a delay as it puts the caller through to the recipient, and this can sometimes lead the recipient to think they are receiving a silent call. An amendment to the Communications Act 2003 has been passed, meaning that organisations which breach rules for silent or abandoned phone calls could be fined up to £2 million. The Institute of Fundraising is urging charities to follow best practice in this area and avoid making silent calls where they can. There is more on this story at: <http://snipurl.com/1csf1v>

Trustees' priority is increasing fundraising activity, says report

A survey from investment services firm Rathbone Investment Management has revealed that almost two-thirds (61%) of charity trustees surveyed put increasing fundraising activity levels as their top priority for protecting finances. The survey results also revealed how trustees think the Government can best help charities following cuts to grant funding. Almost half (48%) of respondents said they would like to see tax breaks introduced while 17% would like to see alliances between charities. For more on this story go

to: <http://snipurl.com/1csf45>

Value of charity investments on rise, say investment managers

UK charity investments have seen their value rise by 8.8% in the third quarter of 2010, according to figures from market analyst WM Company. UK equities have performed the best over the past three months, rising by 13.6%. Property rose by 2.2% in Q3, and by 22.5% over the last twelve months, making it the best performing type of asset over the year. A spokesman for non-profit investment fund management service CCLA said that charities were "focusing on equities and property because they produce higher incomes". Read more on this story at: <http://snipurl.com/1csf6t>

Website enables donors to see how charities spend money

A website that enables donors to compare how charities spend the funds they receive has been launched. Aliveandgiving.com provides donors with access to spending and financial information, allowing them to see how much charities spend on the provision of their services. More than 200,000 UK registered charities are listed on the site and each charity has a link to a separate microsite, allowing people to make donations. Charities can edit their microsites free of charge. Aliveandgiving.com charges charities a 5% administration fee on all donations. There is more on this story at: <http://snipurl.com/1csf9a>

abandonment of 'NEST' egg

As a way of encouraging retirement savings NEST, or National Employment Savings Trust, was introduced by the previous Government as a way of getting low income employees enrolled on to a company pension. It was proposed that between 2012 and 2016 (depending on the size of business and type of scheme), UK employers would have to automatically enrol all eligible employees into a qualifying pension scheme and make contributions to their plan,

with employers contributing 3% and employees 4%.

The Coalition Government has decided to conduct a thorough review of the proposals, which have been criticised by many as being too costly and not necessarily offering low income workers a better deal. Initial set up costs have been estimated to be circa £600 million, which the Government would seek to recoup from higher charges on

the NEST funds, potentially making them expensive to administer. In addition, by delaying the implementation of NEST, HMRC are estimated to be saving over £1bn of tax relief each year.

Charities should be aware that compulsory pension contributions for employees may well be coming, but in the current financial climate, we may not see them during this Parliament.

Charity Commission

Good Governance: a code for the Voluntary and Community Sector – October 2010

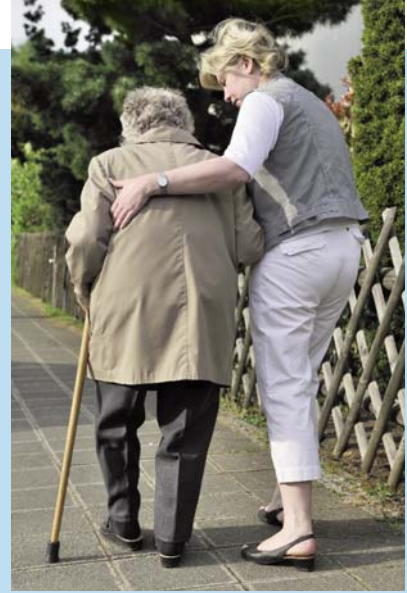
Governance is about ensuring that your organisation runs effectively and follows good practice. The private and public sectors have their own governance codes: there is also a code for the Voluntary and Community Sector, including charities.

Good Governance: a Code for the Voluntary and Community Sector (the Code) has been written by the sector, for the sector. It is a practical and easy-to-use guide to help charities to develop good practice. We support the Code and encourage all charities – from large to small – to use it.

A Steering Group of representatives from ACEVO, Charity Trustee Networks (CTN), the Institute of Chartered Secretaries and Administrators (ICSA) and NCVO wrote the first edition of the Code in 2005, with support from the Charity Commission. Now, following consultation with Code users, the Steering Group has published a second edition.

The revised Code is based on six key principles describing how an effective board provides good governance and leadership:

- 1 Understanding their role:
- 2 Ensuring delivery of organisational purpose
- 3 Working effectively both as individuals and a team



- 4 Exercising effective control
- 5 Behaving with integrity
- 6 Being open and accountable

The Code explains why each principle is important, and gives examples of how to apply them in practice.

For further information see <http://www.goodgovernancecode.org.uk>



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OSCR: London control unacceptable?

The Calman Commission's proposals to return the regulation of Scottish charities to Westminster has met with strong opposition from the Scottish Government.

In a speech to the Office of the Scottish Charity Commissioner (OSCR), Fergus Ewing, Scottish Minister for Community Safety, said: "I will find it somewhat mystifying if the UK Government pursues the charity law recommendations of the Calman Commission. Charity law has never been the same across the UK. How a single definition of 'charity purpose' would benefit Scottish charities is unclear."

Mr Ewing said the Scottish Government opposed returning the regulation of Scottish charities to Westminster, claiming there was increasing support for the OSCR since the introduction of the Charities and Trustee Investment (Scotland) Act 2005. He said: "In the five years since the passing of the 2005 Act we have seen increasing public confidence in Scottish charities. It

introduced a statutory definition of charity that was chosen by the Scottish Parliament for Scottish charities, chosen in Scotland for Scotland."

Earlier this year, the OSCR, the independent regulator and registrar of Scotland's 23,500 charities, commissioned a survey of public attitudes towards charities, and those of the charitable organisations towards the OSCR. The results revealed that public confidence in the work of the OSCR remained high, with 92% of people questioned claiming its role was essential or important. The survey also found that support from the public for the work of charities in Scotland was positive, with 81% of people questioned expressing some interest in their work.

A summary of the survey results is available to download at <http://snipurl.com/1cs6uz>

More information on the Calman Commission, including its final report at <http://snipurl.com/1cs79a>